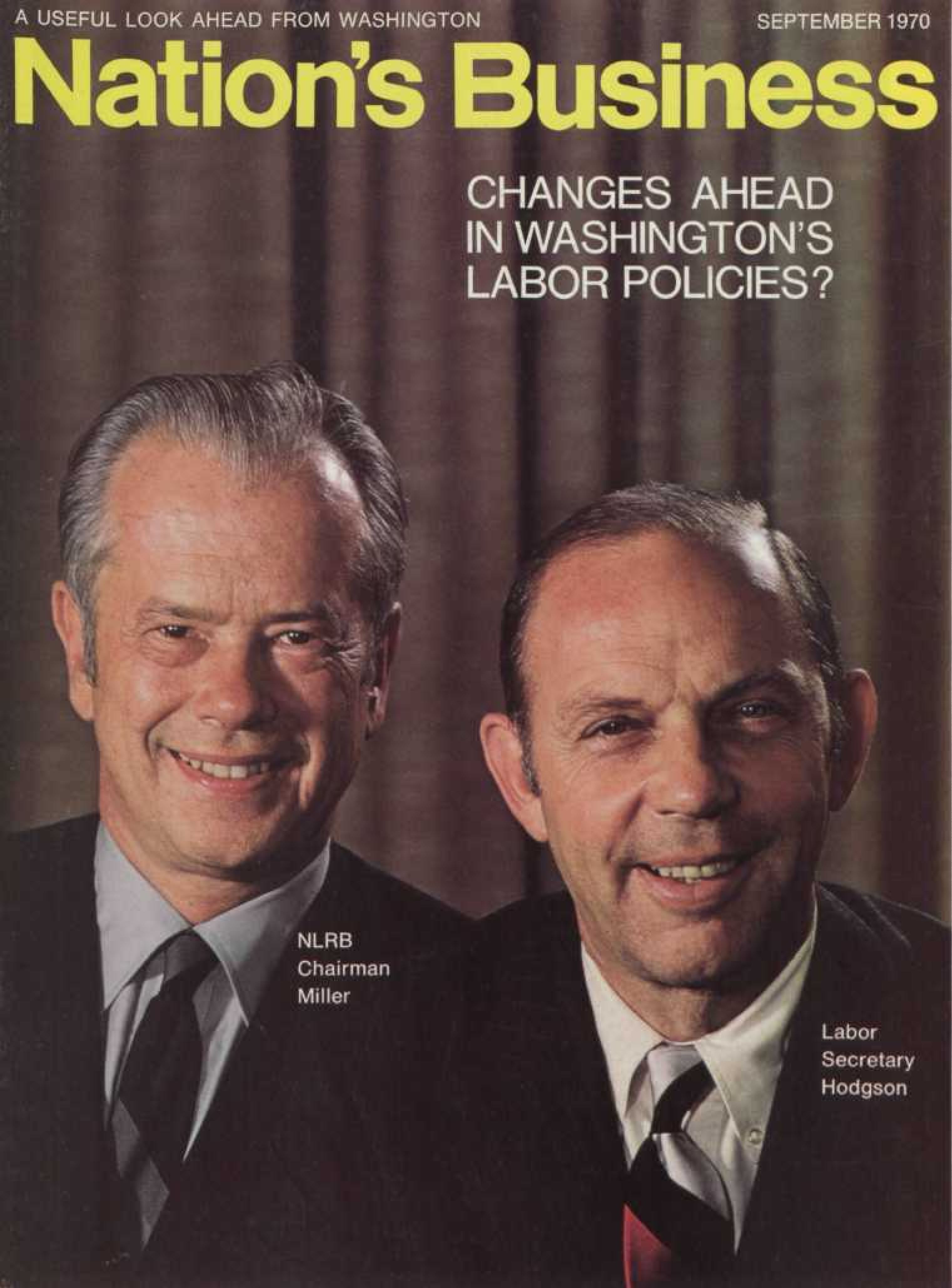
A USEFUL LOOK AHEAD FROM WASHINGTON

SEPTEMBER 1970

Nation's Business

CHANGES AHEAD IN WASHINGTON'S LABOR POLICIES?



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Nation's Business

Cover photograph by Yoichi Okamoto

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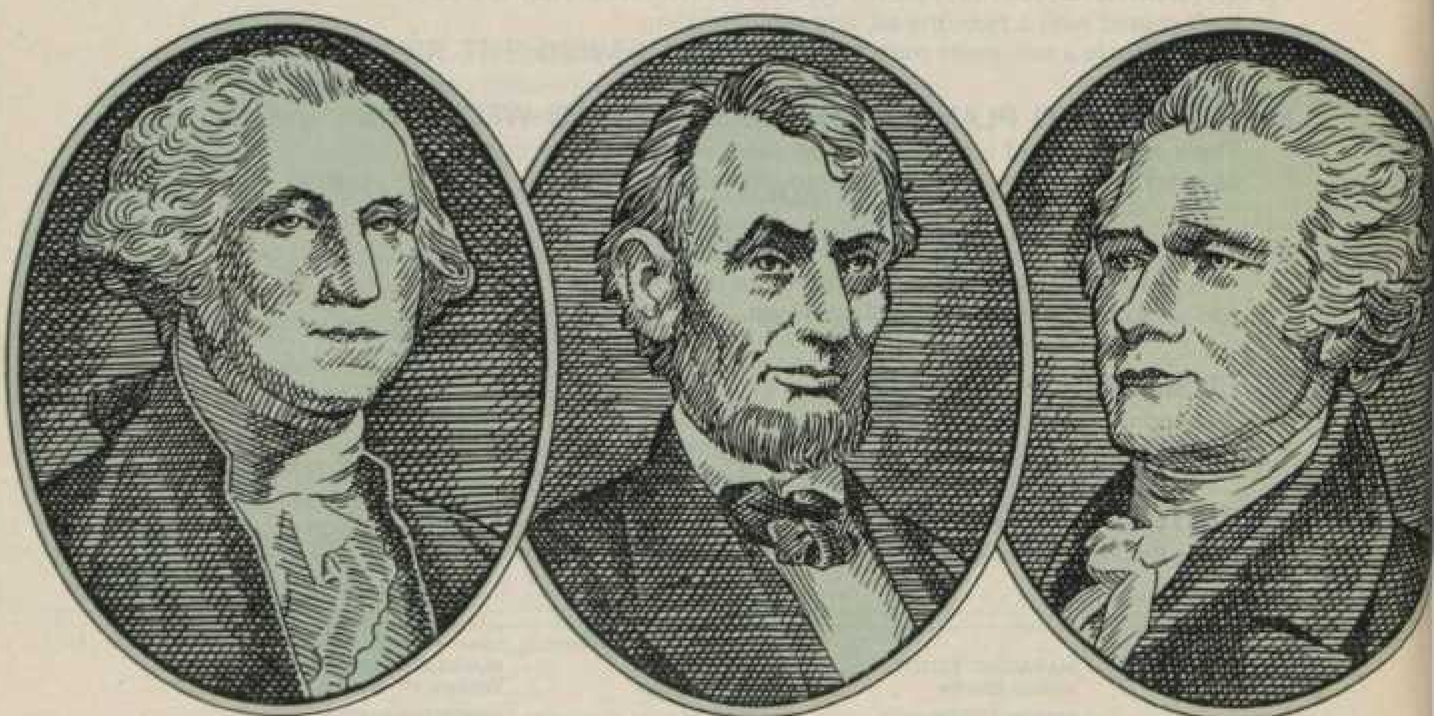

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Most of the modern plug-in appliances have a somewhat limited life-time. They're lovely while they last—but often they don't last too long.

Taking a stand against this trend of "great today and gone tomorrow" is the Hermes 10 from Switzerland. It's the newest of the office electric typewriters and like all other Swiss-made machines, it's built to last.

This doesn't mean it's big and clunky. On the contrary, it weighs only 25 lbs compared to the usual 50. That's because the Hermes precision engineers were able to refine and stream-line the mechanical parts, making them superior to most and smaller than any.

Nor is it expensive. It costs only $295, whereas most good electrics go from $400 to $600. The smart engineering that makes it smaller, also makes it cheaper to produce!

Yet it does all the things you expect a good electric office machine to do. It has the full-sized keyboard with 44 keys. The space-bar and 8 symbols repeat automatically. It takes paper up to 13" wide. It has exclusive Flying Red Margins,* that show where the margins are at all times (particularly useful if you have lots of letters going out), a fully automatic tabulator and carriage return, a lever to adjust to your preference of touch, another one to control the pressure of the keys in order to obtain a larger number of clear copies. Call a Hermes dealer to see all of the additional extras, get an impression of the built-in sturdiness, try the neatly grouped service keys, and consider how it looks... low, lean, modern. A whole lot better than the thing that's cluttering up your secretary's desk right now!

So... secretaries may come and secretaries may go, but one Hermes 10 will keep a whole succession of yours happy.

For the name of your nearest Hermes dealer, check the Yellow Pages or write to address below.

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MEMO FROM THE EDITOR

Nation's Business
Published by the
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1615 H Street, N.W.
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You've read here several times about the dangers to business in the so-called Occupational Safety and Health bill in Congress.

Its latest twist is a real beauty: Strikes *with* pay.

Sounds unbelievable, doesn't it? But the proposed bill, in its final form, would require employers to keep paying employees who strike when *they believe* the employer hasn't given them necessary safety equipment or sufficient information about "potentially toxic substances."

No violation of any safety standard need to be involved. No method is fixed for determining necessary safety equipment. There is no limit to how long employees may continue to strike at their employer's expense, and there is no method for determining whether the strike was right or wrong to begin with.

The House is expected to take a final vote sometime this month. When the bill comes on the floor, Rep. William A. Steiger (R.-Wisc.) plans to offer a substitute which businessmen would consider much more reasonable.

His proposal would create an independent National Occupational Safety and Health Board, and separate the powers to set standards, to police compliance and to punish violators. The other bill would give all these powers to the Secretary of Labor.

So you could have a complete appraisal of the difference in the bills, NATION'S BUSINESS went to Congressman Steiger for the interview which appears on page 47.

When we learned of the "strike with pay" provision, we were actually on our deadline, and it wasn't easy to get the interview with Mr. Steiger. It happened that the House was voting that day on some pretty important changes in its own rules—for example, opening up some of the meetings which have been secret.

Associate Editor Bob Gray stood just off the House floor with the Congressman, who had to keep one ear cocked to hear the proceedings and suspend the interview from time to time while he got in his licks. Such is reporting in Washington.

If you are an avid reader of our masthead at the bottom of the contents pages, you may have noticed we have made some important changes.

Our new advertising director is John H. Muhlke Jr., formerly vice president of Cowles Communications, Inc. and advertising director of *Look* magazine.

Mr. Ames

Mr. Muhlke

Our new national circulation director is Thomas J. Ames, who was promoted from manager of our Portland, Oregon, circulation district.

Both will be trying to help us serve you better than we have in the past.

And there's a new title on the masthead, too—senior editor. That's Sterling G. Slappey who, until now, has been an associate editor.

Grover Heiman is a new associate editor. He comes to us from *Armed Forces Management* magazine. Other new titles are assistant circulation director, Harold E. Johnson, and assistant production manager, Harry N. Miller.

Jack Wooldridge

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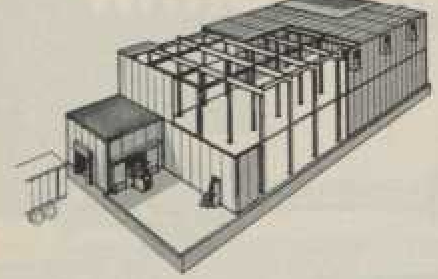

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LETTERS

BEFORE WALL STREET WAS BORN

• "When Business Sparked a Revolution" [July] is interesting and informative. One early American enterprise, however, is overlooked: The Philadelphia-Baltimore-Washington Stock Exchange, as it is known today, the nation's oldest exchange.

Its genesis goes back to 1746, when Philadelphia's Mayor James Hamilton donated £150 toward the creation of an exchange "like unto the Royal Exchange in London." Contributions from other citizens led to the establishment of the London Coffee House in 1754, at what is now Front and Market, near the Delaware waterfront.

There the ancestor of today's P-B-WSE took shape. The coffee house became the hub of city business life where merchants met not only for a steaming cup but to buy and sell commodities and securities. While the reigning monarchs' portraits graced the walls into the '70s, coming events were heralded in the frequent quoting of prices in dollars instead of pounds, shillings and pence.

In 1790, considered the formal founding year, the dealers organized the Board of Brokers, with Matthew McConnell, who had served as a Continental Army major, as first president. In 1777 they had moved their trading center to the City Tavern at Second and Gold, later to become known as the Merchants Coffee House.

Today the P-B-WSE is the third largest exchange outside New York City and still growing. Considering that it all started in 1746, I thought you would find it a noteworthy postscript to your article.

ELKINS WETHERILL
President
Philadelphia-Baltimore-Washington Stock Exchange
Philadelphia, Pa.

More about Ross Perot

• I've just read H. Ross Perot's "What's Right with America" [July]. It should be widely circulated. Our atmosphere has been polluted too long by many of our so-called intelligent citizens who magnify our shortcomings—the negatives.

DAVID WEINTRAUB
South Texas Junior College
Houston, Texas

• You are to be commended for your marvelous planning ability and foresight to publish Mr. Perot's article in the same issue with "The Little Red Hen (Revisited)."

Obviously Mr. Perot has not allowed himself to come out of his ivory tower long enough to have his busi-

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ness and personal life terribly affected by the capricious actions of politicians in the pursuit of their personal gain.

He should honestly realize how thousands of people living in the United States are deprived of their property and their desire for the pursuit of happiness. I'm not speaking of the race problem but the normal way of life of greedy politicians and their even more greedy friends.

JOHN A. LAUTZENHEISER
Columbus, Ohio

• "The Little Red Hen (Revisited)" was a very clever piece. The only trouble is that in most cases "second-class citizens" do not get a chance for the job of sowing the wheat, harvesting the wheat, or baking the bread. They would be very happy for such job opportunities.

It appears to me that the community in which the Little Red Hen lived merely disliked the color of her feathers.

GENE TANNER
Office Manager
Industrial Export Co.
Portland, Oregon

Origin of scrap copper

• One of the major sources of supply of copper scrap you write about is through theft ["Business: A Look Ahead," July].

We in the utility industry fail to appreciate having our lines stripped to satisfy the appetite for scrap copper. This thievery has been going on for years, which is one of the main reasons utilities have gone to aluminum. Something should be done to require proof of the source of the scrap before it is purchased.

WILLARD I. JOHNSON
Manager
Hood River Electric Cooperative
Hood River, Oregon

Of mice and managers

• Sure was concerned about Dr. E. G. Shuster's article, "If He's Hard to Get Along With, Hire Him" [August]. It's true enough that many of our management programs have become diluted to (1) so-called "participative" management where everybody does the manager's job rather than his own and consequently the manager doesn't manage, or (2) the attempted "pleasuring" of everybody in the organization to the point where the various factions are so happy that no one gets any work done.

No one could disagree that management (meaning "managers in fact" rather than managers solely because of position in a hierarchy) is one of

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the world's most critical needs. However, the "concept" advised by Dr. Shuster envisions something similar to the crossing of a mouse with an elephant. If an organization consisted of only one "individualist" and "his computer"—or a minutely insignificant elephant and a tremendously outlandish giant of a mouse—the dynamically opposed "cause and effect" interpretations described by Dr. Shuster might be a possibility. There appear to be more contradictions in the theory presented than I have seen in a long time—particularly as the subject is related to a concept of "management" or its improvement. Good luck Dr. Shuster—but look out for Dr. Jekyll's Mr. Hyde!

LEWIS E. HOLLARD
Management Consultant
Carbondale, Colo.

Correction

• We were very interested in your article "A Salesman Runs a Bank" [July]. However, you incorrectly identified a picture of the president of our company in Japan, Okura Trading Co., Ltd. His name is Yasuhiko Kuroda, not Yasuhiko Yasuda.

J. WEINSTEIN
Secretary to U. Shinda
President, Okura & Co., New York, Inc.

A peck of trouble ahead

• Re your report [June] about response to your "Sound off to the Editor" on switching to the metric system.

While I am in favor of converting to meters and kilograms, anyone who has given any thought to the matter must realize what a really staggering, perhaps impossible, job it would be to make the actual conversion—with the eventual replacement of every ruler and yardstick, every machine tool, every thermostat; changing the scales in every butcher shop, grocery store, factory loading dock, and bathroom for that matter; changing all the milk bottles, steam gauges, gas pumps, frozen food packages, and the shot glasses in every bar.

Undoubtedly, this would be a gradual process, extending over a generation, with both metric and English units displayed on most measuring devices, until everyone was re-educated.

JACK E. GIECK
Director of Marketing
Diversified Products Division
The Firestone Tire and Rubber Co.
Akron, Ohio

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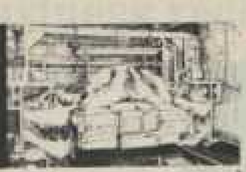

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EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

- Like riding a sub
- Help for house hunters
- Hiring in a slump
- A boost for exports

Sensitivity training irritates dean

"Most executives who attend a sensitivity workshop say: 'It was a powerful experience.'

"But you could describe being caught in a big city riot—or spending two weeks in a submarine—the same way."

That's what one authority, Dr. George S. Odiorne, dean of the University of Utah College of Business, says about this popular executive training technique.

"Actually, it seldom meets the executive's needs," he adds. "Instead, it provides an opportunity for amateur leaders to play God with other personalities, often with damaging psychiatric effects."

Training too often is designed to fit a theory that appeals to the teacher, he says, rather than meeting the needs of the students.

"When the emphasis is on teaching," he contends, "classroom attention focuses on what the teacher does. When the objective is learning, the emphasis is on what the student needs."

In his new book, "Management Training by Objectives," Dr. Odiorne lays down his three rules for a sound training program:

1. Define what changes you want to make in the student's behavior.
2. Use the teaching techniques best fitted to bring them about.
3. Rate the program by how well it works.

Wisconsin's corporate big brother program

It's a break for many Badger State businessmen.

Big blue chip companies there are lending a helping hand to smaller firms.

"Nobody can help a businessman like another businessman," Gov. Warren P. Knowles reasons.

And that's the basic idea behind the state's corporate "big brother" program.

More than 40 top Wisconsin business leaders are each donating two hours monthly to help smaller companies solve practical operating problems. The business leaders—board chairmen, presidents, vice presidents—come from such well-known firms as Cutler-Hammer, Inc., West Bend Equipment Corp., Wisconsin Telephone Co., Allis-Chalmers Manufacturing Co. and Northwestern Mutual Life Insurance.

The program has "helped many firms to bigger profits since it began more than a year ago," says Lucian G. Schlimgen, director of the state's division of economic development.

When you put up a For Sale sign

"Housing shortage!" one executive snorts.

"If demand's so big and supply so small, how come I can't sell mine?

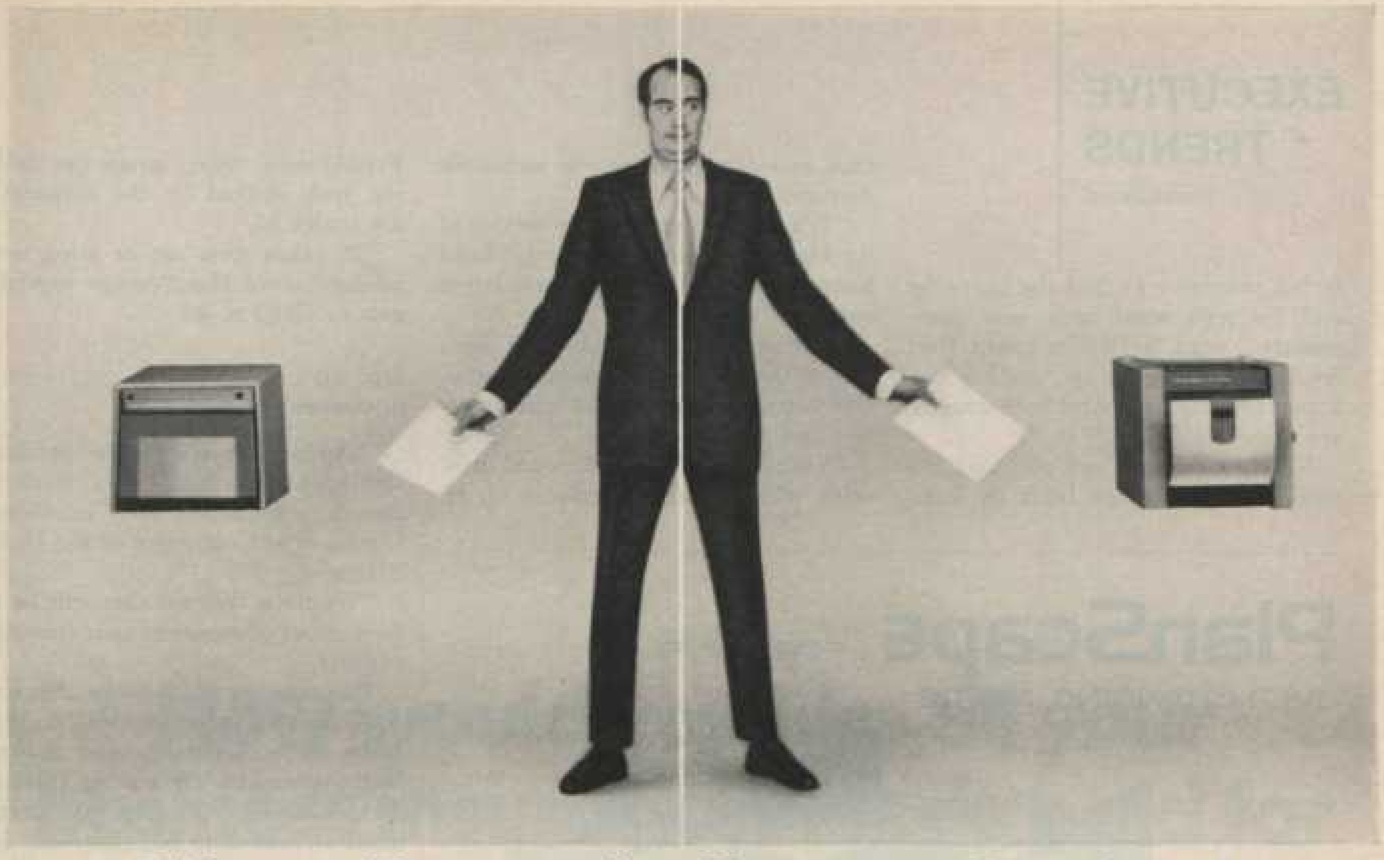
"I was transferred six months ago. The For Sale sign's still in front of my old home." Nothing odd about that, a National Home Exchange spokesman says. "Housing's short because the money to build is scarce. So is the money to finance a buyer."

NHE thinks it can help executives with a house problem. It provides, for a fee, a nationwide listing for buyers and sellers of homes.

Some 5,000 private sellers and some 1,000 builders have listed homes with it. It's a free service for home buyers; private sellers pay $50 net to list a home.

NHE's computer matches the seller's house with the buyer's wants.

"Often, it's tough for the trans-



Pitney-Bowes invites you to cheat on your present copier because it may be cheating on you.

There are lots of ways your present copier could be taking you for a ride.

If you're leasing your copier on one of those deals where you pay only for the copies, not the copier, watch out. You're probably paying for a minimum number of copies per month, whether you make them or not. Which could send your cost-per-copy through the roof.

You're also getting cheated by having to pay for a full size copy, even when you're only copying a pint-sized something. A sheet-fed copier gives you a full sheet every time, like it or not.

Your copier is cheating on you, every time it lays down on the job. It doesn't matter how good the service contract is. A copier that needs constant servicing—no matter who's paying for it—is a copier that isn't copying.

The true test of a leased copier is whether you can buy it later on. If not, or if the price is impossibly high, it's a good guess that the company leasing it doesn't want to lose out on a good thing. Namely you.

Buying a copier is no guarantee of fair play, either. It's possible to buy a "bargain" copier, only to find out that the labor and materials needed to run it are anything but a bargain.

In view of the kind of treatment you're probably getting from your copier, it's only fair that you cheat a little yourself.

Take out a new copier on the side, and see if you can't get a better run for your money.

In the name of fair play and good salesmanship, we'll give you the use of a Pitney-Bowes copier for a few days. Absolutely free.

We'll install it anywhere you want. (It's no big deal. We just plug it in.) We'll put it right next to your present copier if you like, so you can compare them side by side.

Ours is a lens-type electrostatic dry copier. It makes clean, sharp copies from any color original. It needs no warm-up. It's a snap to operate. And it's backed by a johnny-on-the-spot 2400 man service organization.

There are five Pitney-Bowes desk-top copiers in all. Four are heavy-duty roll fed copiers. They sense the length of the original, and automatically cut the copy to size. So they never cheat you by using more paper than it takes to make the copy. And they can all turn out 20 copies a minute.

One model gives you single copies. Another is a multi-copier. One can automatically feed itself more than 100 originals at a time.

And the fourth is a multi-copier that can handle originals up to 11" wide.

We also have a light-duty sheet-fed copier which is fine when all you need are a dozen or so copies a day. It can also turn out copies at the rate of 15 a minute, if you're ever in a rush.

Try any one of them for a few days. If you like what it does, remember too what it doesn't do. It doesn't overcharge you. And it doesn't carry on a going affair with the serviceman.

If you decide you'd like to keep your new Pitney-Bowes copier around permanently, just tell us and we'll send a bill.

And don't feel sorry for your old copier. It's probably made enough money off you by now to retire to the Caribbean.

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ferred executive to find the home he and his wife want in a new community," says NHE Chairman Earl Smith Jr. "Chances are, neither one knows the city well. And both usually are pressed for time."

NHE's computer can pinpoint the homes in its memory bank by location, as well as by price, size and other features.

"It's the first nationwide service of its kind," its chairman says. "Lord knows, today's mobile executives sure need one."

A survey by Atlas Van Lines, Inc., shows the average corporate executive is transferred at least once every two and a half years.

"Young executives are moved most often of all," Atlas President O. H. Frisbie says. "Sixty-seven per cent of the men shifted by the corporation are under 35.

"It takes five, six or even seven moves before the average executive gets to GHQ to stay."

Up, up and away

"Trade missions have produced significant results," says Arch N. Booth, executive vice president, Chamber of Commerce of the United States.

"We hope this mission will be the forerunner of others to spur American exports."

The mission is a 14-day trip some 30 U. S. businessmen will make to Italy, West Germany and Switzerland this month. Their firms' products include food processing, packaging, medical, microfilm and electronic data processing equipment. Trans World Airlines Inc., is flying the group, round-trip, in its new 747 jets.

Like other trade missions organized in cooperation with the U. S. Department of Commerce, it's a hard-nosed, hard-sell campaign—not a junket.

Results of such trips: Millions of dollars of export sales likely not made otherwise.

How they're hiring higher-ups

When business is bad—hire.

"It may sound crazy," says Thomas W. Jackson, president, National Manpower Register.

"But when everyone else is firing, smart firms upgrade their management teams."

One source for new talent is the executive recruiting firm.

Both the Association of Executive Recruiting Consultants, Inc., and the Association of Consulting Management Engineers have lists of them.

Using such firms is one of the two methods relied on most often to fill top jobs, a recent survey shows.

The Whitehead Group of Companies, New York management consultants, polled presidents of 80 firms with sales of $1 million or more.

"How do you get new top talent?" the presidents were asked.

They mentioned most often inter-

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nal employee referrals and executive search firms.

More than half had hired executives in the $20,000-and-up bracket in the last year.

Search firms were relied on most heavily for jobs at corporate management level—or for top technical personnel. Not all the presidents polled were happy with their experience. They claimed the recruiters took an average of 11 weeks to produce the right man. And the fees, 25 per cent of the recruit's first-year salary, are high, some felt.

Some firms, when they call in a recruiter, look for one that has made many searches in their industry.

Don't, one authority advises.

"No ethical recruiter will search for men among clients he has already served," Ward Howell Associates, Inc., says. "Thus, many potential candidates will be off limits to him."

Lost your shirt on Wall Street?

If so, maybe you'd prefer some other kind of investment.

Stocks aren't the only hedge against inflation, a new book points out.

Antiques, works of art, real estate, jewels, rare metals, stamps and "split funding" are also ways to keep your nest egg from shrinking with the dollar.

They're all covered, once over lightly, in a compact paperback entitled, "Investments That Beat Inflation to the Punch" ($2, Pilot Industries, Inc., New York, N. Y. 10016).

How to tell a bad risk

Got a new customer who popped up out of nowhere?

That's good—if he's solvent.

Bad, if he's on the thin edge.

But how can you tell which?

Take a look at where he's buying, credit experts suggest.

If he's spreading his purchases all over the map, that could be an alarm bell.

Likewise, if he's buying in markets that would not be his normal sources of supply.

Both could be clues that your customer is a bad risk, the National Association of Credit Management says. They may indicate a lack of confidence by creditors with whom he'd normally deal.

Be wary, too, NACM says, if you find he's making a lot of purchases for the first time from many suppliers.

He may be loading up inventory to sell off quickly—then skip.

It's a good time to avoid deadbeats, or firms that are slow pays.

More and more customers are in no hurry to come up with their cash.

In the first quarter of 1970, Credit Research Foundation, Inc., reports, it took manufacturers an average of 44.5 days to collect on shipments.

"A crisis," CRF labels it.

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PANORAMA
of the nation's business

BY VERNON LOUVIERE
Associate Editor

Screen Tests for Job Seekers

It is now possible for an employer to recruit new talent halfway around the world without the cost of travel for in-person interviews and without the unpleasantness of face-to-face turndowns of applicants who fail to make the grade.

Ability Search, a Washington-based placement agency, acts as intermediary, with taped audio-visual interviews.

It's a technique widely acclaimed by employer and job candidate alike.

Mrs. Eva M. June, the lively and attractive president of Ability Search, calls it "precruitment" and has used it to line up prospective employees for firms in such fields as operations research, management science, data processing and economics.

"Audio-visual communications between a company and an able prospect is a progressive new dimension in matching interests in a highly personalized way," Mrs. June says.

The interviews are brief and to the point, so an employer can "interview" a number of job seekers in a few minutes' time. He can submit his own questions or Ability Search will provide them. The applicant is able to make a pitch for himself and the employer can size up the candidate.

Mrs. June uses video tape to help cut costs of interviewing job seekers.

In a tight labor market an employer can use the video format to "sell" himself and his company to the kind of talent being sought. A South African firm, for example, not only discussed its operations but also advantages it said there would be for an American living in Johannesburg. It got the employees it wanted.

Mrs. June's is a success story in the best tradition. Fourteen years ago she fled her native Hungary as Russian tanks rumbled into Budapest. Earlier, when she was in her teens, the Russians had forced her to become an electronics technician.

Arriving in the U. S. capital in 1957, penniless and unable to speak English, she was hired as a hostess in a restaurant. The first English words she learned were, "Follow me."

Later, Mrs. June became Washington's only girl radio repairman. In time, as her English improved, she became a nightclub singer, did singing commercials and emceed a nightly TV show in Detroit.

In 1964, with a $1,000 bank loan, she started Ability Search. Its clients today are a who's who in American business.

Answering Services Have Many Callings

It's not merely a status symbol to belong to a telephone answering service in California; it can be virtually an essential of life.

TAS operators do everything from alerting bee farmers that chemical crews will be spraying to rounding up drilling teams when oil deposits are discovered in coastal waters.

The Telephone Answering Service Association, with almost 500 member companies, says California is almost unique in the variety of functions the TAS performs.

The TAS will simply get you up in the morning, if that's all you want. But if you're an actor it will awaken you and tell you what movie scenes are being filmed and in what sequence.

Some subscribers have TAS operators call to remind them to take their medicine. One doctor, with a bad heart, has arranged to have an ambulance dispatched immediately, if his telephone receiver is knocked off the hook.

Answering services have lines out to HELP, an agency designed to counsel people who have emotional problems or others who have social difficulties. When an elevator goes out of order and a stranded passenger picks up the emergency phone, the voice on the other end of the line usually belongs to a TAS operator.

The TAS even keeps a maternity watch over California's huge hatcheries. If the temperature in a hatchery reaches an abnormal level, an alarm is sounded in a TAS office and hatchery workmen are alerted to check the trouble. In the Salinas Valley "Salad Bowl," delivery trucks passing through on their way to major distribution points are monitored by TAS. And TAS operators also call in harvesting crews when it's time to cut the lettuce crop.

A TAS will call substitute teachers when the regular ones are out and it also can arrange baby-sitters. Even obscene telephone calls can be intercepted by TAS when they become persistent. The TAS client isn't forgotten if he gets thrown in the clink. Limited to a single phone call, he contacts his TAS, which then calls lawyers, bondsmen, etc.

continued on next page

Keeping in Touch During a Walkout

Communicating with employees always is important but a real test comes when a strike occurs.

General Electric Co. met the test when some 133,000 of its 300,000-plus employees walked out for three months in late 1969 and early 1970.

GE could have cut off communication with its struck workers but it chose not to, with generally favorable results.

Edward J. Kneeland, manager of GE corporate employee communications, says company publications "aren't normally geared for strike communication, but when you're geared for weekly and daily coverage of the exciting and dramatic things that happen to employees and the business—the good news and the bad—then employees expect you to cover a strike."

"And they expect to get the company's view whether they are among those working or among those on strike."

GE's many plants around the country remained in operation during the walkout and the company, through regular individual plant newspapers, bulletins and even letters, kept a strong line of communication open to its workers—those who remained on the job as well as those on strike.

"It's difficult to measure the effectiveness of this approach but we feel there was a very high readership during the strike," Mr. Kneeland says. "It certainly makes sense to continue informing employees during so troubled a period."

Mr. Kneeland believes it is important to "play it straight" during a strike to preserve the company's credibility. This does not mean, of course, that a company should not continue to give its side of the story, particularly when there's a stalemate at the negotiating table.

"Even the strikers want to know what the company is saying, not just what their union is telling them," says the GE executive. "They are anxious to get all news about the negotiations since the newspapers are not in a position to give them detailed, daily accounts of what is happening."

The job doesn't end when the strike is settled. GE recognized the problems of readjustment following the crippling walkout, its first national strike in 23 years. Hence, such headlines as these greeted workers:

"O.K., Let's Go!" "Big Job Ahead: Recovering From Effects of Long Strike." "Rapid Return to Normalcy Goal Here."

A Corporate Giant Stresses Individuals

International Telephone and Telegraph Corp., with its far-flung operations, has set out to "balance our books in social accountability."

H. S. Geneen, chairman and president of the giant conglomerate, has created the ITT Executive Association, a voluntary organization with membership open to all of the company's 2,000 executives. Explaining its purpose, he says:

"In corporate accountability we show the tangible rewards to stockholders; in social accountability we reap a deep personal satisfaction because we are acting as individuals."

ITT Executive Association chapters are being established in various parts of the world where the company is represented. The Association is planning a national or international conference on business and society. It also will schedule small, less formal, round table-style meetings between ITT executives and outsiders who are experts in a given field.

ITT's H. S. Geneen launches program to achieve "social accountability."

"ITT's management strengths and skills and our unique placement around the world make it possible for us to inspire one another through these chapters into imaginative and creative action," Mr. Geneen explains.

Among other things, the Association is publishing a quarterly magazine, *SIGMA*, emphasizing management and the social environment, and a bi-weekly pamphlet highlighting current management techniques as well as social and political problems outside the business world.

"Increasingly," Mr. Geneen points out, "the larger corporations have become the primary custodians of making our entire system work. Because of this, we must have sensitivity and responsiveness within the corporate group to the environmental needs of the world."

He believes that executives' personal involvement in meeting those needs "will cut through barriers and become a great example of international amity that will be a source of pride to us as individuals and to our families."

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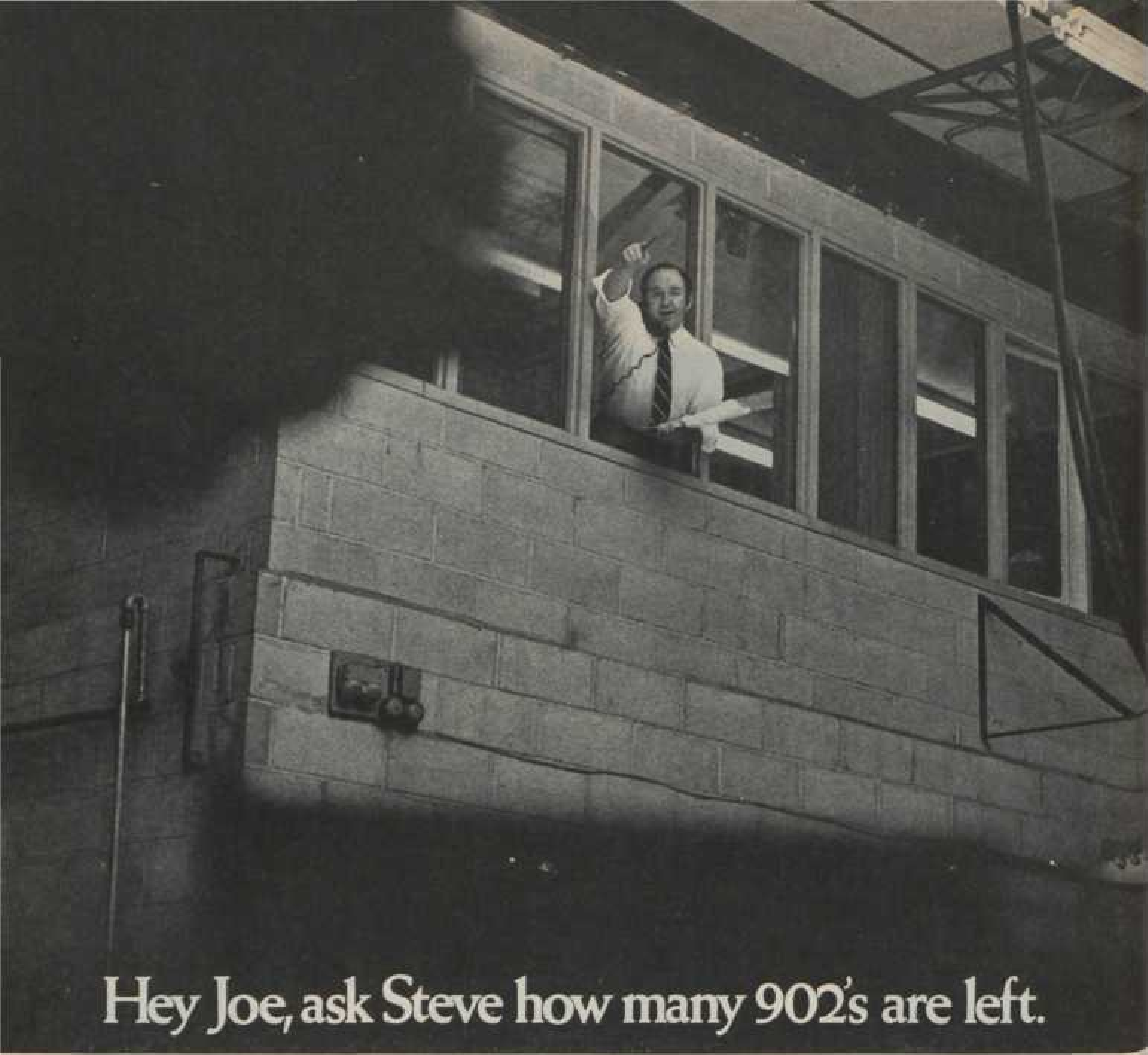

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To help you get the most out of it, IBM has set up Basic Systems Centers in cities around the country. And has also developed a new programming aid to help tailor the system to your business simply and efficiently.

So call IBM.

And have System/3 manage the paperwork, while you manage the business.

System/3. The small business computer.

IBM.

SOUND OFF TO THE EDITOR

SHOULD STUDENTS GET TIME OFF TO CAMPAIGN?

College campus strikes reached a peak last spring after President Nixon's decision to send American troops into Cambodia and the slaying of four students at Kent State University. The Urban Research Corp. of Chicago reports there were 760 student strikes during the spring months. National Guardsmen were called out for riot duty 48 times in May alone, mostly due to student disturbances.

Educators and others predict the campuses face further disruptions this year.

Some see hope for less havoc in a plan which would channel student political activism into direct, off-campus participation in the U. S. political system.

The plan originated at Princeton University.

Princeton's classes will be recessed for two weeks just prior to the November elections to allow students and faculty to campaign for candidates of their choices. Students will begin school a week early, and will lose their Thanksgiving vacation and three days of Christmas vacation to make up for the lost class time.

Princeton President Robert F. Goheen calls the recess "a positive response to grave national problems, a response which facilitates constructive efforts by individuals working within the democratic system."

Other schools have made arrangements similar to the Princeton Plan, and still others are considering doing so.

Dr. Keith Spalding, president of Franklin and Marshall College, criticizes the Princeton approach. He asserts that rearranged calendars "affect employment plans, vacation plans, and the rights and reasonable expectations of some who, for whatever reason, choose not to be political."

The Princeton Plan is being debated on Capitol Hill as well as in the ranks of higher education.

Sen. George McGovern (D.-S. Dak.) notes: "I know this kind of careful, patient, constructive effort is far more effective than disorderly protest. And I know, too, that a hundred volunteers who know what they are doing can influence the outcome in many Congressional races. I speak as an expert who was first elected to the Senate by a margin of 597 votes."

But Sen. Strom Thurmond (R.-S. C.) feels "there is a serious question here as to whether or not Princeton can legally sponsor this project and provide facilities to aid in its success while maintaining a tax-exempt status." He has asked the Internal Revenue Service to investigate.

Nearly everyone has an opinion about the Princeton Plan. What's yours?

Should students get time off this fall to campaign?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should students get time off to campaign? ☐ Yes ☐ No

Comments:..

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....

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Name and title........................

Company..............................

SOUND OFF RESPONSE

BUSINESSMEN SOUR ON COLLEGE SUPPORT

Campus turmoil has cut deeply into businessmen's enthusiasm for further contributions to colleges.

This was shown in responses to last month's "Sound Off to the Editor" question: "Should businessmen support colleges?" A majority of businessmen who replied checked "No."

Many of those checking "Yes" say they favor further support only if university administrators recapture control of their schools.

"After 10 years of support—we've had it!" writes Jack Ashton Kloustin, president of Saran Lined Pipe Co., Ferndale, Mich.

"I will not contribute to irresponsible college administrators or teachers," states Harold L. Hershey, president of Leland L. Fisher, Inc., a lumber firm in Rockville, Md. "They can burn down all the million-dollar facilities they desire. I just won't pay to rebuild them."

W. W. Crowe, president of Covington Auto Service, Inc., Covington, Ga., writes: "I contributed to four colleges, including two Negro colleges and a large university. I dropped both Negro colleges. They can teach their people to hate Whitey in the streets better. I am dropping the large university as of now, because of the hippie teachers and profs."

"A review of the forces who rally to the banner of education reveals the word 'education' is being used for all sorts of expenditures which are not producing 'educated' people," says D. W. Fridell, region manager for Weyerhaeuser Co., Des Plaines, Ill.

"I would suggest contributions tied to specific courses that would produce responsible education, such as trade schools. . . More money for general education? Never!"

Howard Abbott, president of Music Centers, Inc., Skokie, Ill., writes: "Colleges that do not maintain a faculty which will promote and teach the free enterprise and competitive system to its fullest should be cut off from any grants from business."

Dennis R. Wahl, manager of Financial Counsellors of America, Mt. Clemens, Mich., states: "Apparent decadence in American colleges can be controlled by concerned businessmen who donate time and energy (not money) in promoting college quality."

In checking "No," Harley Shepherd, vice president—finance, W. A. Whitney Corp., Rockford, Ill., comments: "The colleges have accepted a socio-political role that is in opposition to the over-all goals of the business community. This role is self-perpetuating in that politically oriented instructors generate additional politically oriented instructors."

M. L. N. Ingrisano Jr., director of general services, Radiation Systems, Inc., McLean, Va., says not only should businessmen withhold support, but also universities should lose their tax exemptions.

P. J. Foley, president of Foley Tractor Co., Wichita, Kans., says business should support only those colleges that teach students "to be better Americans and useful citizens."

A similar view is voiced by John Pipes, vice president of Howell Instruments, Inc., Ft. Worth, Texas. He adds: "All our enemies will cause enough trouble. I see no need to contribute to troublemakers."

W. C. Cochran, owner of a Baltimore, Md., upholstering firm, points out that some colleges "would never have gotten off the ground" without businessmen's support. "However," he says, "all support should be withdrawn when rioting and other disturbances occur."

George A. Davidson, board chairman of Consolidated Dental Services Co., New Orleans, favors businessman help for "only those colleges whose administrators support basic education and who will remove from the campus the unqualified and malcontents who are not seeking a college education."

Martin Sheridan, vice president of Admiral Corp., Chicago, Ill., who approves of business support for colleges, comments:

"I believe many colleges are losing such public and business financial support because of disillusionment over the lack of true leadership shown by some university officials when confronted with destruction and demands by dissident groups. Such blackmail must be dealt with forcefully à la S. I. Hayakawa."

Shields Johnson, vice president and general manager, Times-World Corp., newspaper publishers of Roanoke, Va., is among businessmen who gives an unqualified "Yes" to the question. He even adds, "Positively."

John Pearson, financial analyst for Burlington Northern, Inc., of St. Paul, Minn., goes a step further: "Dollar contributions must be matched or superseded by contributions of time and effort to present philosophies we believe in as businessmen. We must talk to students, often, in their classrooms and living quarters. Without our time, our dollars are traitors to us."

"My firm belief is that a college which merits support through effective education and training of its students should certainly be supported by businessmen," says R. J. Stockham, president of Stockham Valves & Fittings, Birmingham, Ala. But he says businessmen too often don't make sure the schools they help really are effective.

Frederick E. Boes, assistant vice president of Metropolitan Life Insurance Co., New York, says: "We need to publicize our support so that those students who are benefited will recognize the contribution being made by businessmen in their behalf."

"Private colleges can't survive without business financial support," maintains James W. Wallace, honorary board chairman of Pioneer Hi-Bred Corn Co., Des Moines, Iowa. "It is cheaper for the taxpayer to help keep the small colleges alive than pay the taxes required to increase state institutions' capacity."

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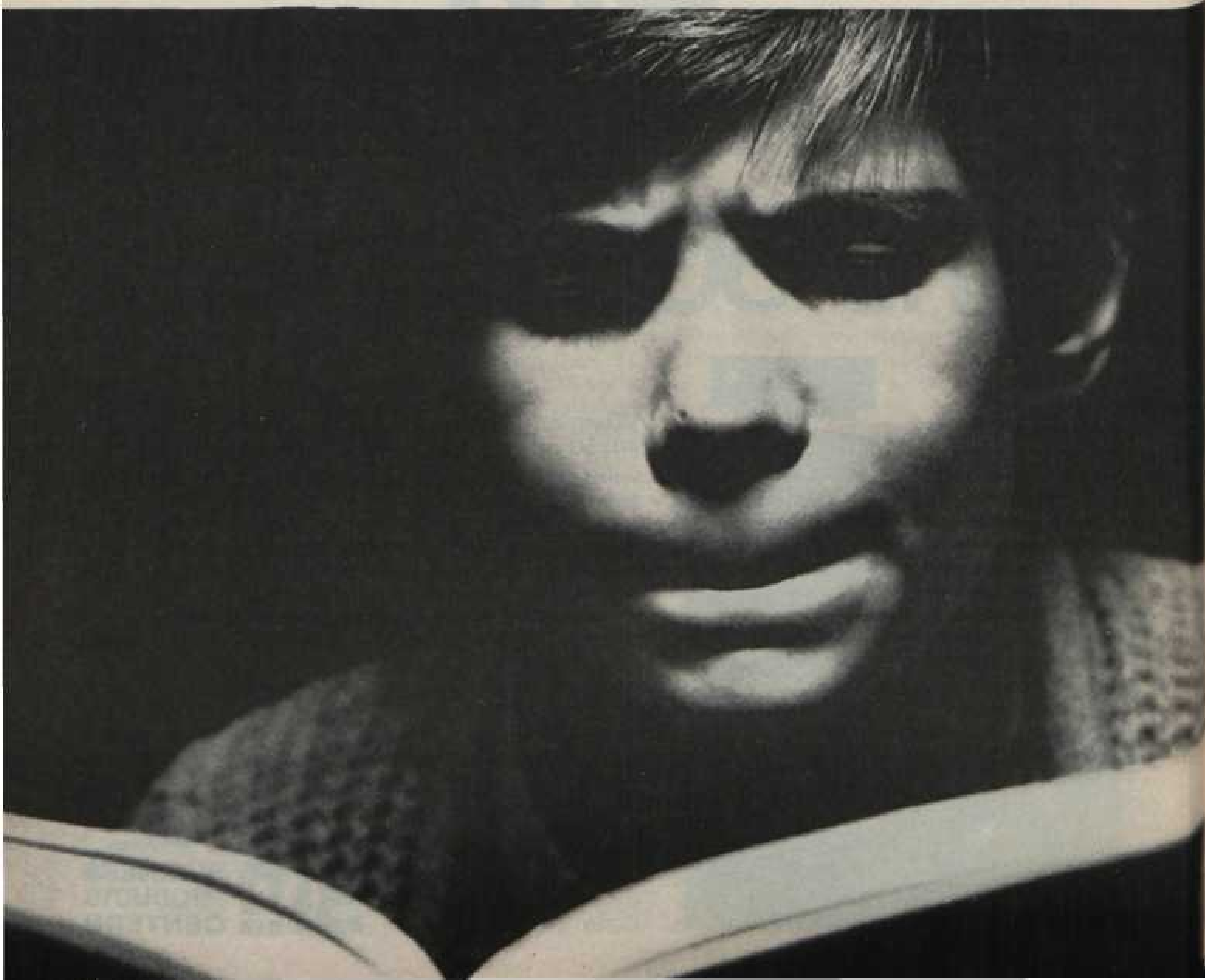


34 million handicapped kids.

Here are the dismal facts: the minimum recommended lighting level for a classroom is 70 footcandles.* More than one million classrooms in the U.S.A. struggle on 30 footcandles. And 34 million students struggle to learn in them. But they're lucky. — Over 4 million American children work in ancient schools right out of the Oliver Twist era—with lighting that is often little better than candlelight.

Our new schools are brighter. But still not bright enough. It's estimated that even the newly built schools have only a sad average of 35 footcandles. Far below what's needed.

Poor lighting may make poor students.

Insufficient lighting is like draining a child of his will to learn. It may tire him. It handicaps him. When he has to squint five hours a day to see the blackboard—don't expect him to be a fast learner. When he can't see correctly what he's supposed to learn correctly—then you have a slower student.

Are there any solutions?

The GE PAR lamp. No more dull blackboards.

Plenty. We have a long list of lighting suggestions that could help American kids learn easier and faster.

We have lamps for better blackboard illumination. They spotlight or floodlight.

We have eight-foot fluorescents called Power Groove® and High Output that could boost American classrooms to a comfortable 100 footcandles.

They both offer the most brilliant solutions to getting more light at lower operating costs.

The GE Power Groove and High Output—make indoors brighter.

Five cents per pupil per day. That's all it costs to light up a classroom to today's modern standards.

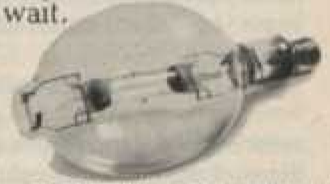
The low cost of lighting.

Or again, we have a four-foot fluorescent that should get a loud round of applause from the School Budget Committee. It gives more light per watt, more life, and no other 40-watter costs less to run. We have a strange-looking Mod-U-Line** fluorescent that's all twisted up so that you can fit two or three of them into those nice-looking two-by-two-foot fixtures.

The GE Mainlighter† and the curved Mod-U-Line.

We have lighting suggestions for school gyms and stadiums. For example, our high-intensity Multi-Vapor† lamps—which are currently lighting up many major-league ball parks—at a fraction of the normal cost.

We have the answers waiting for problems that can't wait.



The GE Multi-Vapor. The lamp that helps thousands of sports fans see better.

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Nation's Business
September 1970

How Wall Street Toes Its Own Line

BY ROBERT W. HAACK
President
New York Stock Exchange

Robert W. Haack, president of the New York Stock Exchange, with the trading floor below. "The exchange demands much more of its members than the government does," he says in describing the self-regulation system set up to protect investors.

The greatest test of the free enterprise system is how well it can function under stress.

In most regulated industries, even the slightest sign of malfunction can raise the possibility of increased government intervention.

In the securities industry, a complex system of *self*-regulation is in operation in good times and bad—setting high standards of practice and providing an indispensable measure of flexibility in coping with problems which really have no counterparts in other areas of American business.

The past two and a half years have been, by any standard, a period of severe trial for the securities business. Skyrocketing share volume and a major paper work logjam in 1968 and early 1969, followed by a long stock market decline, have buffeted investors and brokers alike.

Yet, despite some casualties, the industry generally has managed to weather the storm. Self-regulation—both as a means of dealing with specific problems and as a continuing long-term effort—has helped make this possible.

The self-regulatory function is mandated to the New York Stock Exchange by federal securities laws which not only give broad regulatory powers to the Securities and Exchange Commission, but provide for the Exchange policing itself, with SEC oversight.

It has been said that the real purpose of self-regulation is to protect brokerage firms against themselves—and there is more than a grain of truth in that. But a side effect that cannot be overlooked is that self-regulation also helps firms to help themselves in ways that can earn and keep the confidence of their customers.

Because of self-regulation, membership on the New York Stock Exchange means giving up a fair amount of independence. And it is a fact that in many areas, the Exchange demands much more of its members than the government does.

Under SEC rules, for example, brokerage firms carrying public accounts are required to have $2,500 minimum net capital. The Exchange, however, requires the very smallest member firms to have at least $50,000 net capital if they handle public accounts. For the largest firms, the capital requirements produce net worth up into eight or nine figures.

Every member and member firm must agree to comply with an array of minutely detailed rules covering virtually every phase of their business. This includes the qualifications of key people—partners, officers, salesmen—associated with a firm. The Exchange can disapprove the employment of any person by any member firm.

It also has the power to discipline firms, their principals and their employees for violations of Exchange rules. This authority is not taken lightly.

During 1969, for example, the Exchange took disciplinary action against 37 member firms and 18 members and allied members, levying fines exceeding $1 million.

Twenty-seven registered represent-

PHOTO: WERNER WOLFF—BLACK STAR

atives who paid fines totaling nearly $40,000 were among 91 member firm employees disciplined during the same period.

Internal inspection

Several hundred of the Exchange's own employees make up an internal inspection force, checking compliance with the rules.

Much of the investigators' work involves poring over detailed operations reports submitted on a regularly scheduled basis or developed during staff visits and inspections of member firm offices. The investigators also follow up complaints received directly from customers or relayed to the Exchange by the SEC.

Most of the time, this is unglamorous work that reveals simply that a firm has its affairs in good shape—or that a customer is unfamiliar with standard brokerage procedures. The occasional exception, of course, justifies the great amount of time, effort and money involved.

A good example of what may happen in the case of such an exception occurred during the height of the 1968 paper work crisis—and points up an important aspect of the self-regulatory process: The ability of the Exchange to exercise a measure of flexibility in dealing with problems that would be impossible otherwise.

The Exchange discovered that a good-sized member firm was in serious operational trouble due to the flood of unanticipated business then inundating the securities industry. The firm's books were in bad shape, securities deliveries were lagging, and its indebtedness was increasing.

A hard-nosed approach would have padlocked the firm and tied up many thousands of public accounts in bankruptcy proceedings.

But the Exchange's investigators believed that the situation was far from hopeless and that drastic overhauling might work. The interests of thousands of customers were worth trying to protect.

Accepting Exchange guidance, the firm trimmed its operations, reduced sales to a manageable level, and began making inroads on the deliveries backlog. These and other cost-cutting measures helped reduce its obligations—and its customers so far have been spared the anguish that could have resulted from a "shut 'em down" approach.

The Exchange's flexible approach to such problems, as a matter of fact, is the principal reason why so few member firms have had to close their doors during the past two years, and why securities customers in general have been spared from incidental involvement in the financial problems that have beset many brokerage firms.

The Exchange would rather nurse an ailing firm back to health than send it to the mortuary. If analysis shows there is a reasonably good chance of solving a firm's problems, the Exchange normally will opt for that approach.

Flexibility can be applied to many different kinds of situations.

In recent months, for example, the Exchange has helped line up skilled management personnel for a firm that was suffering from ineptness at the top executive level.

It has prevailed upon other Wall Street firms—including competitors—to lend computer experts to one firm that was having serious data-processing difficulties. It has even helped find new sources of capital for a firm that was running short—contacting possible private lenders and helping to persuade them to make additional capital available.

The "marriage broker"

At the same time, the Exchange does *not* believe in trying to save any firm whose situation looks hopeless. Since 1968, Exchange-appointed liquidators have, in fact, presided over the orderly dissolution of six member firms.

For some distressed firms, however, efforts to deal with problems *before* they reach the critical stage may suggest that merger with another firm offers the best prospective solution.

As the operator of a marketplace that brings buyers and sellers of securities together, it was only natural that the Exchange should take the lead in bringing prospective buyers and sellers of member brokerage firms together.

It was probably inevitable, too, that the Exchange official most closely involved in this activity would come to be nicknamed "the marriage broker." Actually, he serves as an informal clearing house of information for member firms interested either in mergers or in sales or acquisitions of branch offices.

One member firm notified the Exchange of its interest in acquiring branch offices in a particular part of the country. Another firm wanted to sell one of its offices in the same area. The "marriage broker" brought them together and, as a result of ensuing talks, the smaller firm actually merged into the larger.

In another instance, a firm that wanted to expand via the merger route ultimately decided—again through talks arranged by the Exchange—to acquire several branch offices of another firm that was unwilling to give up its identity.

In a business that handles huge sums, the question of solvency is second to none. And a major part of the Exchange's self-regulatory activity in past months has been closely

How Wall Street Toes Its Own Line *continued*

concerned with the solvency of member firms.

Under Exchange rules, each member firm doing business with the public is expected to maintain a debt-to-net-capital ratio of not more than 20 to one. For practical operating purposes, the Exchange normally expects firms not to exceed a 15-to-one ratio. And currently, an "early warning" system flags the possibility of impending trouble when a firm's debt-to-net-capital ratio reaches 12 to one. At the end of June, over 87 per cent of the Exchange's 600-odd member firms had ratios of 10 to one or below, while some 63 per cent had ratios of five to one or below.

A key element in monitoring member firms doing business with the public is a group of Exchange compliance coordinators, each of whom oversees the day-to-day activities of a specific group of firms. Reports and analyses of financial and operations data flow to the coordinators and their staffs, who are trained to spot potential problems. If necessary, the coordinators may call for a special investigation into any situation within their jurisdiction.

Each member firm carrying customer accounts, for example, normally must answer a financial questionnaire once during each third of the year—chiefly as a test of compliance with capital requirements. One of these reports, based on a "surprise" or unannounced visit, must be certified by the firm's independent public accountants.

If the reports—or other information obtained by the Exchange—reveal financial troubles, the Exchange may call a top-level meeting with the firm's principals for a thorough airing of the situation. And it is likely that the Exchange will require the firm to set up a timetable and full plan for dealing with the problems—a procedure that will be monitored by the coordinator assigned to that firm.

Protecting the customers

Closely allied to the question of broker solvency, of course, is customer protection. One question in the minds of investors today, for example, is "How safe are my securities and cash when they're in the hands of my broker?" In other words, what happens if a brokerage firm actually does fail?

To begin with, many of the procedures just described are aimed at deterring member firms from getting into the kinds of financial difficulties that can lead to failures.

The Exchange takes pride in the realization that, for the past 30 years, public customers haven't lost money or securities because of failure of a member firm. And a legislative proposal presented to Congress recently by a joint task force of the principal securities industry organizations seeks to extend a measure of customer protection over virtually the entire industry. It calls for establishment of a federally chartered, quasi-public Securities Industry Protection Corp. The SIPC would insure customer funds and securities up to $50,000 in the event of failure of any brokerage firm registered with the Securities and Exchange Commission, unless exempted by the SEC.

In many ways, this industry-wide plan was an outgrowth of steps the New York Stock Exchange took to deal with a handful of specific cases over the past decade.

In 1960, the Exchange made funds available to cover losses incurred by customers due to fraudulent acts by a partner of a small member firm. The Exchange subsequently extended its program of "mandatory fidelity insurance"—geared to the size of the business done by a member firm—to help cover possible losses because of fraud by member firms' partners, for whom such insurance formerly had been unavailable.

Three years later, the widely publicized "salad oil scandal" forced a prominent member firm into liquidation as a result of fraudulent acts by a customer of the firm. Although not legally required to do so, the Exchange—with the cooperation of bank creditors—put up $9.5 million to help foot the bill for the return of money owed to the firm's customers as well as the return of securities which customers had left with the firm. In 1964, expanding self-regulation into a new area, the Exchange established a special trust fund, setting aside money—for use at the discretion of the fund's trustees—to assist customers of member firms in financial difficulties.

The trust fund's initial goal—reached in 1965—was an aggregate of $10 million, supplemented by standby credit totaling an additional $15 million.

Recognizing that development of an expanded customer protection fund may take some time, the NYSE membership has authorized the Exchange to lend $30 million to the trust fund, on an interim basis.

Stock watch

Self-regulation does not by any means end with the operations and financial situation of the Exchange's membership. In many other areas—little-known to the public—self-regulatory procedures are at work each day to guard against improper conduct.

For example, the Exchange keeps a watchful eye on unusual situations that may develop in stocks traded on the Big Board. Each day, a computer scans the volume and price movements of the more than 1,500 listed issues—singling out for special investigation any in which unusual activity cannot be readily explained. When a stock behaves abnormally, the Exchange wants to know why. Most of the time, recent news events offer a reasonable explanation. But not always.

Sometimes a rumor will affect stock prices and volume. If the rumor doesn't check out, the Exchange will ask the company to issue a denial; and, if it's true, a confirmation or clarification of the facts. This often means asking the listed company to release the facts to the public immediately.

Consider the following hypothetical situation:

The computer shows trading in a stock is running considerably heavier than normal—with a decline in price from the previous day's close. A phone call to the company indicates a possible leak of confidential information concerning the breaking off

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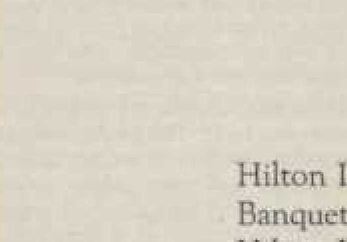

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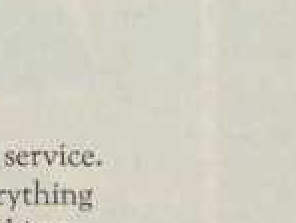

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Ralph DeNunzio, a vice president of the New York Stock Exchange, testified before Senate subcommittee in support of industry plan to expand protection for customers.

of previously announced merger negotiations.

The Exchange halts trading in the stock until, later in the day, the company issues a full statement on the status of the negotiations. The purpose of the interruption in trading is to permit sufficient time for broad dissemination of the facts and for the investing public to evaluate them. When trading is allowed to resume, the price declines another 15 per cent—reflecting public awareness of the situation.

Another important part of the self-regulatory process involves the Exchange's concern for the manner in which member firms communicate with investors. Member firms must, for example, submit all but their most routine advertisements to the Exchange—before publication—for review of form and content.

In 1969 alone, the staff reviewed well over 5,000 individual ads and radio and television commercials. The majority posed no problems. But some did:

• A proposed ad for a firm's new computer system stated flatly, "Our computer doesn't make mistakes." The Exchange rejected the ad because it was too promissory.

• The first of two illustrations of a firm's back office was captioned "12:16 p.m." and showed a fully-staffed busy place. The second photo, captioned "6:18 p.m.," showed the same office—empty. The Exchange disapproved the ad as giving the misleading impression that customers would experience no delivery problems—though no firm can have full control over deliveries when banks and other transfer agents are involved.

Reading the market letters

Member firms' market letters and other investment literature are spot-checked on a "surprise" basis—usually twice a year—for possible lapses from traditional Exchange standards of truthfulness and good taste. Many firms now voluntarily submit this material before publication—although they are not required to do so.

Last year, staff reviewers went over some 22,000 pages of such literature, looking for unduly promissory or flamboyant statements, unsupported claims and other unacceptable material. Inevitably, they found a few choice examples:

• "With only 700,000 shares outstanding, of which 80 per cent is owned by insiders, earnings on a per share basis could skyrocket. . . ."

• "Charts are not charts, they are laws. . . . The stock is a buy, just popped up on the chart like a jack in the box. . . ."

When the Exchange finds statements like these, it does more than just frown. Action may range from an official warning—a reading of the riot act to the responsible officials—to fines or other disciplinary action against the offending firm and its principals.

Self-regulation also includes surveillance of Exchange specialists to see that these 300 or so floor members carry out their function of assisting in maintaining fair and orderly markets in the stocks assigned to them; maintenance of strict criteria for listing and delisting stocks on the Big Board; and a host of special technical measures taken to deal with the operational problems which afflicted member firms during the 1968-69 paper work crisis.

These are just a few of the additional areas in which self-regulation is constantly at work in the world's pre-eminent central securities marketplace.

Obviously, many of these measures are designed primarily to help New York Stock Exchange member firms remain in satisfactory operating condition, and out of financial difficulties. There have been some serious problems at a few individual firms—and there still are.

But I think it is clear that the complex system of self-regulation built up over many decades—combined with tough, yet flexible enforcement of Exchange standards—offers a measure of protection for securities customers that exceeds any nongovernmental responsibility in any other area of American business.

It's a unique system and, more important, the events of the past two and a half years have shown that it works. END

William B. Ross, former deputy under secretary, Department of Housing and Urban Development, went over to the Federal National Mortgage Association when it was spun off by the government and turned into a public corporation owned by individual investors and institutions. "I didn't mind leaving federal service since the Association is still a public purpose organization," he says. He is a fine economist and has helped shape many programs providing housing for American families.

Uncle Sam's Finest

One walked on the moon as the world watched, and another works mostly in a secret world; all are honored for significant contributions to their country

Every year the crème de la crème of federal employees is selected by the National Civil Service League with the active backing of scores of the largest and most successful private companies in the country.

The employees, usually 10 in number, are named in the belief that efficiency, conscientiousness, originality and sheer weight of performance should be publicly and monetarily rewarded.

This year's 10 make up an exceptional group. Best-known is Neil A. Armstrong, who walked on the moon as a Civil Service employee of the National Aeronautics and Space Administration, but the others deserve recognition, too.

Each has been lauded by President Nixon and has received a citation, a gold watch, and a tax-free $1,000.

Businesses contributed money for the awards, which are designed to:

- Recognize career public employees for significant contributions.
- Encourage excellence in government service.
- Promote public appreciation of quality in government.
- Stimulate able young people to build government careers.

These are the men and women—nominated by Cabinet officers and agency heads—who were selected as 1970's top government career people.

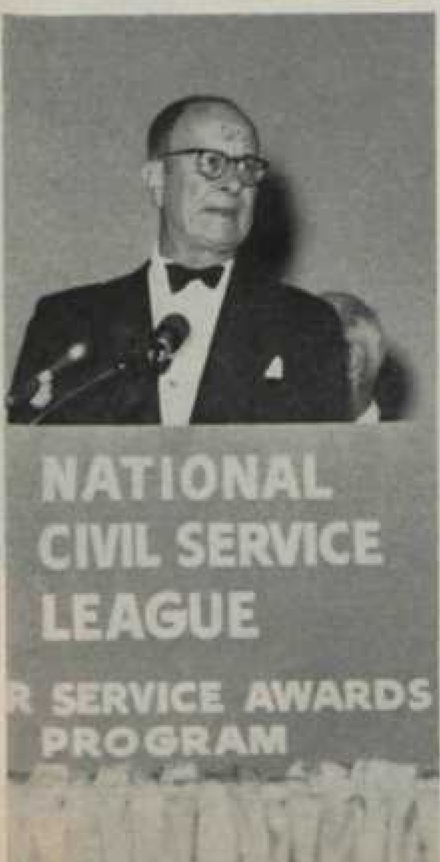
Neil A. Armstrong and his July, 1969, flight are proof that the government will send a man anywhere to get the job done properly. The first man on the moon is a hero for all time and all peoples. Now, he's a space agency official in Washington. What does he do these days for fun? He takes flights in slow gliders. In accepting his award, Mr. Armstrong modestly credited "10 000 American government employees" who teamed up to produce his Apollo 11 mission.

PHOTO: WIDE WORLD

Dr. Beatrice Aitchison was born to public service—her father was an Interstate Commerce Commissioner for 35 years. She started at ICC in 1938 at the lowest professional level and moved to the Post Office Department in 1953. She now directs rate-making activities, helps in presenting the postal position before regulatory agencies and hunts for economic and efficient ways to ship the mail. One thing she particularly likes about her job: "I have a staff to work for me and I can spend my whole time on important things."

Henry L. Newman, Southwest regional director, Federal Aviation Administration, has been eligible for retirement for three years, but says, "I'm staying a while longer. I like my work. I like to work. I only regret that more people don't want to go into federal service." Mr. Newman is based in Ft. Worth, Texas. Past service has taken him to Alaska, New Mexico, Washington, New York and Kansas City. He does his own piloting and is responsible for technical and administrative duties.

PHOTO: [illegible]



Lawrence R. Houston, general counsel for the Central Intelligence Agency, is often called the CIA's "legal architect." He dates back in intelligence work to World War II days. Later he helped in negotiations which brought about the exchange of U-2 pilot Francis Gary Powers for Soviet spy Rudolf Abel. A lot of his work has been in secret, but this much is known—he has compiled a superb record as a federal employee and cut new ground in an unusual field, that of intelligence law.

continued on next page

Uncle Sam's Finest *continued*

Ned D. Bayley, director of science and education for the Agriculture Department, started work as a farmhand. He's been with the Department for 15 years, and today he gathers scientific knowledge to make agriculture and forestry more efficient and productive. Then he gets the information to people who can use it. Mr. Bayley, who works with all the state governments, has authored or co-authored 28 research publications, directed work to combat river pollution and developed alternatives to pesticides.

PHOTOS: MICHAEL [illegible]

Henry Geller has been general counsel for the Federal Communications Commission for six years and he can't think of anything else he would rather do. "I don't mean to sound sophomoric, but you only live once," he says. "So do something that you like and that is interesting. What's more interesting in my field than space satellite work?" In the past 21 years he has worked in legal capacities for the Justice Department, NLRB and the Illinois Supreme Court, as well as in 11 FCC positions.

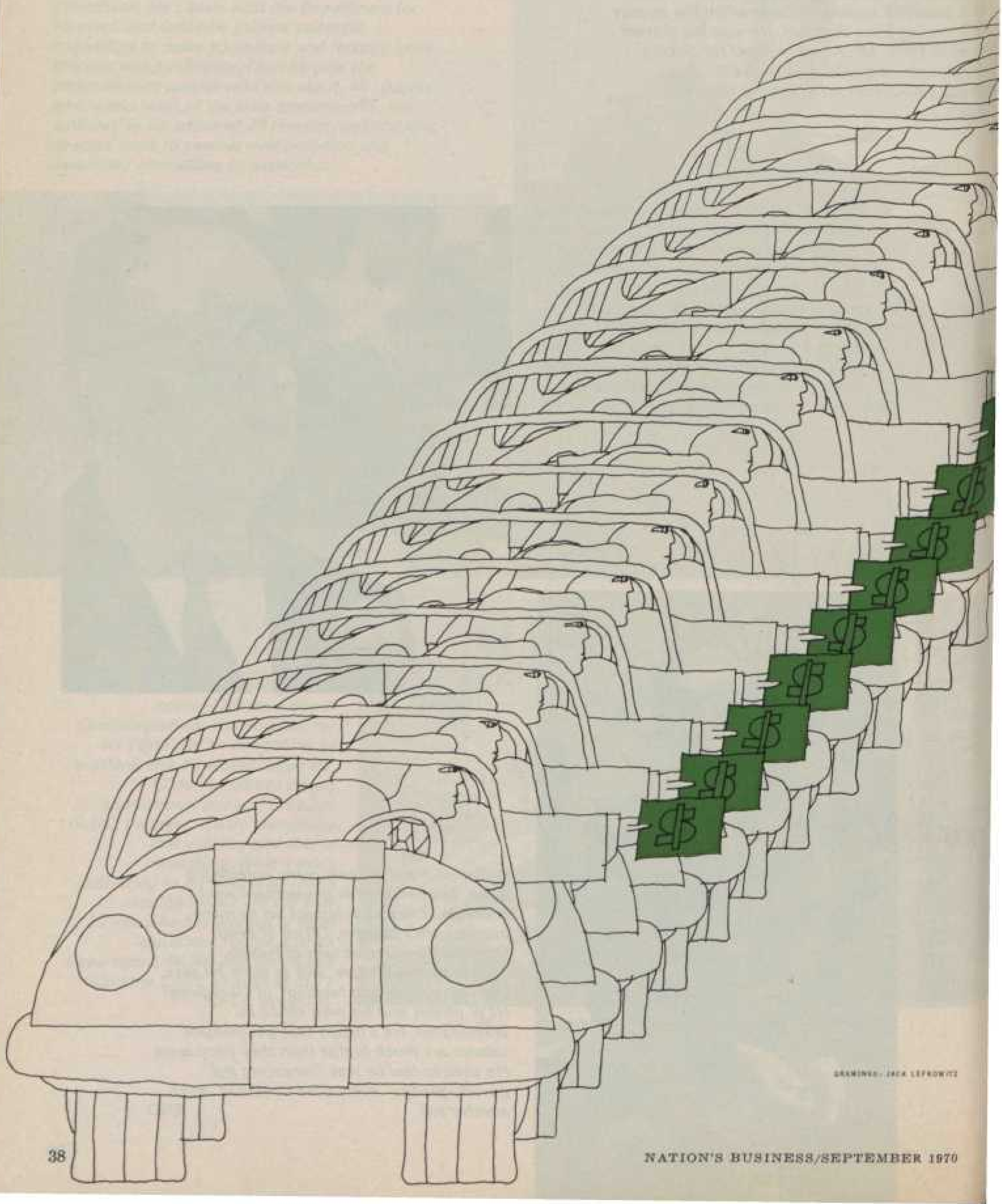
Vernon D. Acree, assistant commissioner for inspection, Internal Revenue Service, can leave his difficult job any time. He's qualified for retirement. But Mr. Acree doesn't quit until jobs are finished and he says "several projects" still need doing. His 32-year career with Uncle Sam has been distinguished all the way. In 1953, he took over IRS internal security when the agency was recovering from scandals. He won his present position in 1959. Mr. Acree is noted for picking quality people—a quality trait in itself. He heads a 600-man team bearing his stamp.

Philip C. Habib has spent many months at the most frustrating work in government—negotiating with the North Vietnamese in Paris. A diplomatic career around the globe prepared him for the job. "Each day of my 21 years of foreign service has started with the feeling there were things worth doing," he told Nation's Business. *"I have never been bored, my time is not wasted and there is a constant, gratifying theme of service to the nation. Federal service is not a preserve of mediocrity."*

William J. Page Jr. gets many outside job offers, but he likes his government work because "it has such impact on so many people." He's director, Office of Field Coordination, Department of Health, Education and Welfare, and as such, he says, attends to "care and feeding" of 10 regional HEW offices and his own office in Washington. He's happy that government salaries are much higher than they once were. He used to feel he was "renewing the poverty pledge" every time he turned down another job. END

Battle Over the Driver's Dollar

Should highway user tax funds help subsidize mass transit? Congress must find the answer



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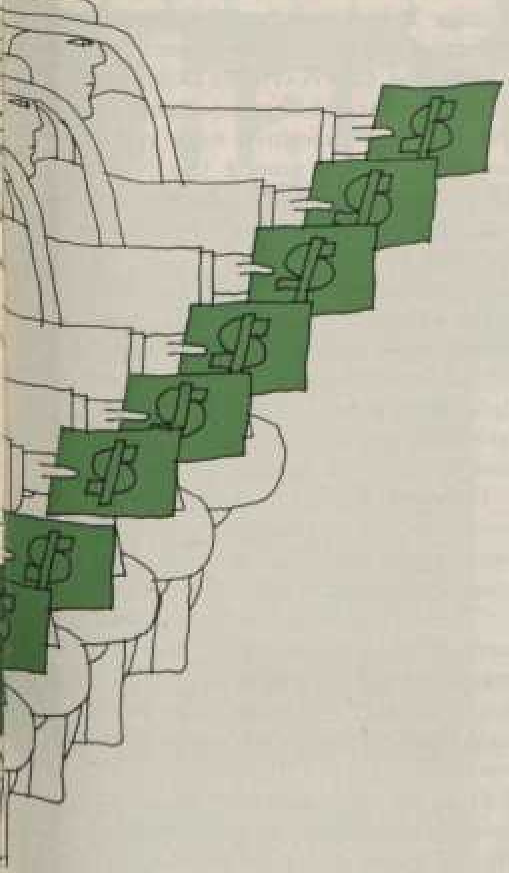


Motorists paying bridge tolls to cross the Delaware River between Philadelphia and southern New Jersey help subsidize a highly automated rapid transit line that parallels the highway route.

On the West Coast, construction is well along on a San Francisco area subway system costing over $1 billion. Part of the money is coming from tolls drivers pay on three San Francisco Bay bridges.

In New York City, motor vehicle tolls on bridges and tunnels between the boroughs produced, from 1967 through 1969, a whopping $74 million surplus for the public authority that operates them. The entire amount was handed over in a single check this summer to the city subway system, which can now avoid a fare increase through 1971.

The routing of revenues from individual vehicles directly to mass transit is relatively new and limited to a few states. But a debate is warming up in Congress over adopting the plan nationally. The specific issue:

To what extent, if any, should taxes levied on motor vehicle owners and operators to construct the Interstate Highway System be used to help subsidize cities' bus and rail transit?

The outcome will have great significance for businessmen, whether they are in highway-connected industries, are concerned with preserving or restoring downtown areas or simply want people and goods to be able to move between two points in the easiest and quickest manner.

These are the key elements involved as Congress prepares to shape new transportation policies:

• The Highway Trust Fund.

It was established in 1956 to assure a continuing flow of money for the 90 per cent federal share of the cost of the Interstate Highway System, authorized at the same time. States were given responsibility for building segments within their borders and paying the remaining 10 per cent of the cost.

New or increased taxes on gasoline, oil, tires and heavy vehicles were pledged to the fund, which was to expire on completion of the 41,000-mile system scheduled for mid-1972. The mileage since has been increased to 42,500 and the completion date pushed forward to June 30, 1974, though the fund's expiration date so far has been extended only three months.

Legislation now pending in Congress to push both deadlines to 1977 or 1978 is considered assured of passage. Nevertheless, advocates of diverting trust fund money to mass transit are using the highway fund legislation to try to force Congress to channel some of the money into mass transit.

• The condition of public transportation.

Visualize a large "X." One crossline, going up, represents transit fares in the last two decades. The other, going down, represents patronage. That's what the recent history of public transportation—both privately and publicly owned—looks like on a chart.

Industry figures show an operating deficit of $220 million for 1969. The last profitable year was 1962. Capital requirements over the next 10 years are estimated by industry sources at $25 billion to $32 billion.

In a survey by the Chamber of Commerce of the United States, 41 per cent of the communities responding reported their urban transportation problems were either at the crisis stage or were difficult and getting progressively worse.

Only a handful said there was no problem at all.

Nearly two thirds forecast there would be further deterioration or not much improvement.

• Highway needs.

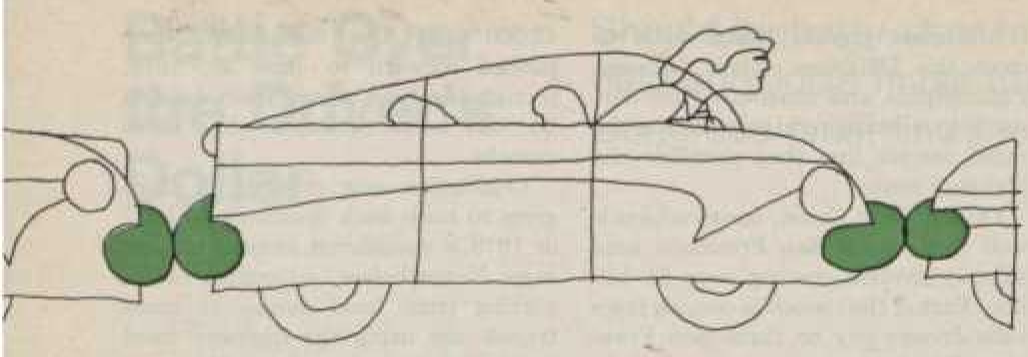
A blue-ribbon panel that recommended the interstate system in the mid-1950s estimated the cost at $27 billion. By the time the plan became law, the estimate was $41 billion for the original 41,000 miles. But $41 billion has paid for only 30,000 miles and about $35 billion more will be needed to complete the system.

The Bureau of Public Roads estimates additional needs for building and improving highways not in the interstate system will cost a staggering $320 billion over the next 15 years. State officials and the highway industry see no grounds whatsoever to believe that the interstate system is nearing completion and that the nation's highway needs have been nearly met.

• Federal action on mass transit.

While the interstate system marks

ROBERT T. GRAY, *the author of this article, is an associate editor of Nation's Business.*



Battle Over the Driver's Dollar *continued*

the most extensive federal participation in highway construction thus far (as well as the biggest and most costly public works project in history), federal interest in mass transit needs has developed more slowly. The first significant program was the Urban Mass Transportation Act of 1964. It authorized grants and loans for improvement of transit systems operated by public agencies. A total of $795 million has been appropriated. Critics say the money has been grossly inadequate, the year-to-year uncertainties of the appropriations process have made planning extremely difficult, and exclusion of privately owned systems has denied help to more than 1,000 companies.

President Nixon now has proposed a $10 billion mass transit program over a 12-year period. The Secretary of Transportation would be allowed to enter immediately into long-term contracts so planning could be more effective. Privately owned systems would be eligible for the federal grants and loans, which would cover up to two thirds of the cost of capital improvements, such as new rolling stock, stations and administrative facilities.

The program would be funded from general revenues and not, as many advocates of better public transportation wanted, from the Highway Trust Fund or from a separate mass transit trust fund.

More plans in the works

In addition to pending bills, longer-range developments are in the works.

The Transportation Department, at President Nixon's direction, is formulating the nation's first comprehensive transportation policy. Its recommendations are expected to go to Congress early next year.

Transportation Secretary John A. Volpe has already said he favors a single transportation fund established to finance highway, airport-airway and urban transit programs, with Governors having a voice in allocating federal funds among particular needs of their respective states.

The annual meeting of the Governors' Conference at Lake of the Ozarks, Mo., this summer urged Congress to approve such a flexible approach, after the Secretary told the Governors he needed their backing.

Mr. Volpe was by no means advocating that a state be permitted to take its entire highway building allocation and divert it for example to mass transit.

He said consideration was being given to having "designated accounts" for each type of transportation within the over-all single trust fund. States would get money from each account, with Governors empowered to shift funds within specified limits.

A major problem about a unified trust fund is where the mass transit contribution would come from. While users of the highways and airways are financing those respective funds through increased taxes, there is no such solution for the cities' mass transit needs.

The number of motor vehicles registered in this country soared from 49 million in 1950 to 105 million this year. Scheduled airliners carried 159 million passengers last year, compared with 19.3 million two decades ago.

On the other side of the transportation ledger, transit companies carried 23.2 million passengers in 1945 and eight million in 1968. Higher fares to finance a trust fund would only drive away more passengers and intensify problems, it is argued.

While the Transportation Department ponders long-range, top-level policy, its mass transit agency is moving on various fronts to win approval of the Administration proposals, to work with local communities on improving existing systems and to carry out research that will produce the systems of the future.

Top priority

"Solving the transportation problems of our cities now has the highest priority it has ever had," Carlos C. Villarreal, urban mass transit administrator, tells NATION'S BUSINESS.

The 45-year-old former naval officer and business executive says public transportation is among the Nixon Administration's top 10 priorities and is the top priority of the Transportation Department.

He traces today's transit problems to the days after World War II, when transit systems had huge backlogs of capital needs but were hit by a precipitous revenue drop as gasoline rationing ended and auto assembly lines came to life again.

The result has been a cycle of rising fares, declining patronage, curtailment of service and financial pressures that required still higher fares.

"There have been 258 transit company failures since 1954," Mr. Villarreal notes. He adds, with a touch of irony, that 13 of them have failed since the Administration's transit bill was submitted to Congress.

From his office atop the Transportation Department's new building, Mr. Villarreal looks out on the capital's Southwest Freeway, part of the arterial network that daily draws an increasing number of cars into the city. Along with its monuments, Washington has some monumental traffic jams.

Automobiles are choking other cities, too, he says, questioning the wisdom of using vehicles costing $4,000 or more and having 300 horsepower "to crawl along bumper to bumper at five miles an hour."

And it should be remembered, he adds, that "large numbers of people in this country do not own or drive automobiles. They include the elderly, the sick, the handicapped, the poor and the very young. They depend upon public transportation."

Mr. Villarreal does not believe that the question of who should pay for mass transit improvements can be answered solely in terms of those who use it.

"Public transportation is really everybody's responsibility," he says. "Local communities should begin to

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Battle Over the Driver's Dollar *continued*

consider it on the same basis as they do their fire or police departments."

An effective transportation system, he argues, can help reverse deterioration of downtown business areas, increase real estate values, bring in more customers, create more jobs and stimulate construction.

"The amounts invested in improved transit systems will provide a greater yield in economic growth and prosperity," he says.

Mr. Villarreal emphasizes that mass transit problems are not limited to the largest cities in the country.

A universal problem

His travels to discuss transit problems have taken him to New York, Chicago and San Francisco. But he also has gone to Charleston, Columbus, Greenwood and Greenville in South Carolina; Jackson, Gulfport, Hattiesburg and Tupelo in Mississippi; and Dallas and Brownsville in Texas.

Improving mass transit, Mr. Villarreal says, is not solely a matter of planning vast new systems, but also means "keeping existing systems going in cities of all sizes."

One of the aims of the Administration's proposed program is to help transit systems obtain the type of equipment they need to attract customers—modern, air-conditioned, quiet and nonpolluting buses, for example.

The Transportation Department has also commissioned research projects on entirely new systems—buses riding on air cushions or running on guideways that whisk riders to their destinations at 100 miles an hour or more.

Noting the multibillion-dollar needs of mass transit, Mr. Villarreal sees the program as one that will offer new opportunities to manufacturers of a wide range of transportation equipment and their subcontractors, and to construction companies.

The newly formed Highway Users Federation for Safety and Mobility, which combines three major organizations concerned with various aspects of roads and motor vehicles, sees logical opportunities for steps to improve mass transit, such as preferential freeway lanes for buses in peak hours.

But, says Yule Fisher, the federation's executive vice president, "in no case should highway user funds be applied to subsidize the purchase or operation of buses or other transit vehicles."

Citing a Transportation Department report on highway needs, Mr. Fisher says his organization believes that "the cost of needed improvements between now and 1985 will require all of the funds in sight."

America's predominant method of transportation is and will continue to be via the highway, Mr. Fisher says.

"Two out of three American workers commute by automobile. Over 75 per cent of our farm products go directly to market by truck. About 72 per cent of the nation's transit riders are moved over highways by bus. More than 25,000 cities and towns rely on truck, bus and auto for all transportation."

Government aid to mass transit may be needed, he says, but it "should be provided from general tax revenues."

However, John Paul Jones, president of the American Transit Association, believes that many public transportation needs "can best be met from the highway trust fund."

He sees mass transit as a way to ease pressure on crowded arterial highways so they can continue to carry "the supplies and services that must come by road."

So, he says, "public transportation functions as a specialized extension of the highway system" and using highway funds to help it is a sound approach.

"The transit industry will probably never again pay its own way in a narrow sense," Mr. Jones says. "But it can more than pay for its subsidies in increased real estate taxes, in urban land devoted to more productive use than servicing automobiles and in savings over financing more expensive, alternate forms of moving people."

Marvin Mandel of Maryland is among a number of Governors who feel states should be allowed to set their own transportation priorities.

The big picture

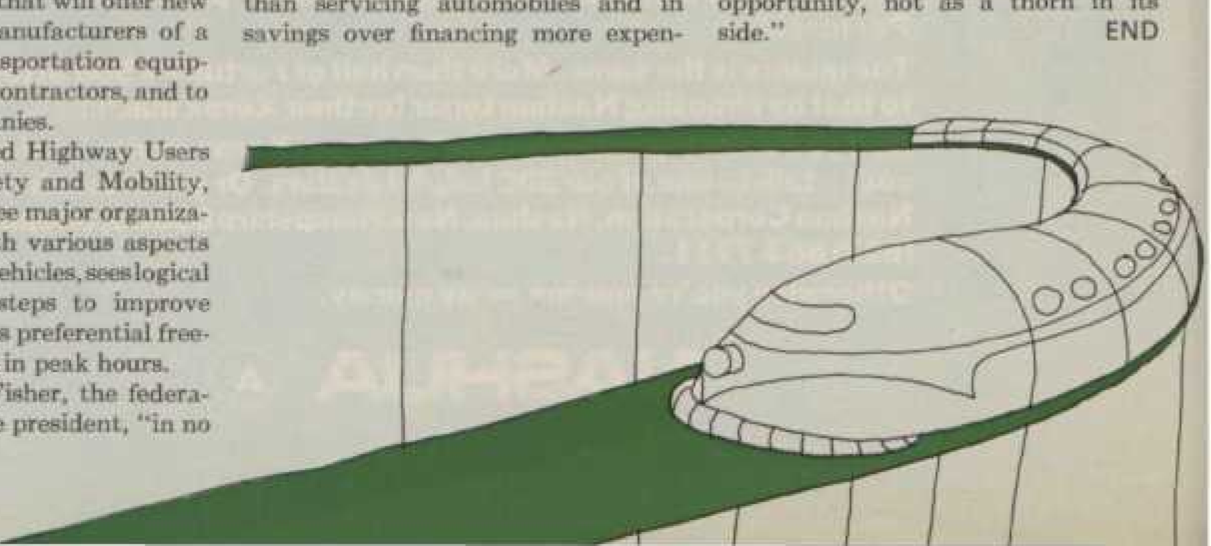
As vice chairman of the transportation committee of the Governors' Conference, he told Congress: "There is a growing awareness that transportation must be viewed as a total system—planned and financed in coordinated fashion—and not as a series of unrelated modes whose end result is clogged and polluted cities, inaccessible airports and bankrupt railroads."

Urging greater latitude for states in spending federal transportation funds, Gov. Mandel said that "the transportation priorities of Wyoming and Colorado are not the transportation priorities of Maryland or Massachusetts or California."

Among many business leaders who have been working on transportation and other city problems is William I. Spencer, president of the First National City Bank of New York, which has long had an Urban Economics Department.

"Those of us in the business community must take a greater interest in the public transportation system," he says. In the past, he adds, businessmen financed turnpikes, canals and railroads not only for direct profits but in anticipation of increased land values and economic activity.

Now, he says, "the need is even more acute for businessmen in particular to take such a broad view of public transportation. The business community, working with government, should view public transit as an opportunity, not as a thorn in its side." END



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In addition, we are working with Adolph Coors Company of Colorado to help reclaim their used aluminum beer cans. We'll be taking their cans from Arizona, Colorado, New Mexico, Wyoming, Utah, Nevada, Kansas, Oklahoma, Texas, and California.

Individuals and organizations bring all-aluminum cans to the Reynolds reclamation center.

Used cans pass through a magnetic separator and are then shredded.

After shipment to reclamation plants, the shredded aluminum is melted and cast into secondary ingots.

Ingots then move into other Reynolds plants to be formed into sheet, plate or other mill products.

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Used aluminum is valuable.

What makes the program work is the basic value of aluminum itself. Scrap aluminum is worth $200 a ton, because it can be melted down and reused so readily. Scrap steel, by comparison, brings only $20 a ton; paper, $16 a ton.

So used aluminum cans are worth picking up, worth saving and taking to a reclamation plant. Reynolds is able to offer ½¢ per can, and to suggest that Boy Scouts, hospital charity groups, and other organizations—and individuals—raise funds by collecting and returning aluminum scrap.

They're taking our suggestions. One million cans that don't show up in Los Angeles garbage heaps every month prove that.

Letters for anti-litter.

Our anti-litter efforts have brought us much applause from Boy Scout officials, Congressmen, Keep America Clean groups, civic leaders, and many others. But our chief satisfaction is in being able to help with this most difficult and important problem. We intend to keep at it, and to work even harder. Reynolds Metals Company, P.O. Box 2346-LN, Richmond, Virginia, 23218.

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ARMCO

At Issue: A Fair Approach to Job Safety

Rep. William Steiger is pushing a substitute for a bill which could mean heavy-handed interference by government in business

Businessmen who watched glumly as the House Labor Committee approved a bill giving the federal government unprecedented power in the occupational safety and health field now have their eyes on a substitute bill they feel would be far more reasonable.

Either would have an enormous impact on the day-to-day conduct of American business [see "Warning: 'Safety' Hazard," June]. A crucial choice between them will be made soon on the House floor.

The bill approved by the Committee is sponsored by Rep. Dominick V. Daniels (D.-N. J.) and traces its origins to Johnson Administration recommendations which Congress rejected in 1968.

Outside of areas such as coal mining, which are covered by separate legislation, it would give the Secretary of Labor sweeping powers to set health and safety standards, inspect and investigate for compliance, preside over hearings on alleged violations and render the verdict.

He could, if he desired, get into such fields as hours of work, the number of people needed for specific jobs and worker qualifications. An inspector who held there was "imminent danger" could summarily close a plant for up to five days. In some cases, employers would have to keep on paying workers who went on strike over claims the law was being violated.

On the other hand, Rep. William A. Steiger (R.-Wisc.), a member of the Labor Committee, hopes the House will accept in place of the Daniels measure a bill which he says not only will be more fair to both employers and employees but will actually do a better job of promoting occupational safety and health.

Rep. Steiger had a leadership role in drafting the substitute bill, which evolved from recommendations President Nixon made to Congress last year.

In this interview with a NATION'S BUSINESS editor, Rep. Steiger discusses the legislation and its significance for businessmen:

Would you start, Congressman Steiger, by describing your general approach when you took up this issue of occupational health and safety?

When the hearings began in 1968 on the original bill sent up by President Johnson, it became readily apparent that this was an issue in which there could be very real disagreement over the best means to achieve the greatest degree of safety and health. It also became apparent that the original Johnson bill was a mess—badly drafted, done without any reference really to people in the field, such as the National Safety Council, or to any of the management groups. There was some checking with labor groups, but even they hadn't been involved very much.

There arose a number of questions

At Issue: A Fair Approach to Job Safety *continued*

that must be asked about an occupational health and safety bill:

First how effective is it? Secondly, how fair is it? How much of an opportunity is there for equity for both sides—management and labor? And lastly, who should have the responsibility for setting the standards, carrying out the investigations and enforcing orders?

What is the principal difference between your bill and the Daniels bill from the standpoint of effectiveness?

I think our bill is more effective because, first, it provides for an independent health and safety board with a body of expertise in the field of standard-setting—which, in my judgment, is an absolute necessity if you are going to have well-designed, reasonable, strong health and safety standards. Under the Daniels bill, the Secretary of Labor would have sole power to set standards.

Isn't there a provision in the Daniels bill that an employer must keep on paying workers who claim there is a safety hazard and strike over it?

Yes. I think it is a bad provision. It would be a very bad precedent to set. We don't provide for that in our bill.

Employers naturally are most concerned about the power that would be given to close their plants. How do the bills measure up as to fairness on that issue?

There is a major difference. The Daniels bill enables an inspector, on his own volition, to shut down a plant in order to correct what he declares to be an imminent harm situation. We don't do it that way. No order of closure can come from anyone but a District Court judge; I think that is equitable for all parties concerned.

We do provide that an inspector has the right to—and I think he should—inform management and labor of the fact that he is going to a District Court to ask for a temporary restraining order or an injunction to close down a plant or working site.

Both management and labor then are aware of the judgment of the inspector that there is a problem. But the order has to come from a judge. Under the Daniels bill, an inspector is under no restraint whatsoever from acting on his own.

Also, I am afraid the Daniels bill can impose a very heavy burden upon employers to meet the requirements for equipment to monitor health and safety.

Our bill provides that the small plant, which has to meet new safety and health requirements, could get Small Business Administration assistance in meeting the burden.

Why aren't you so eager, as backers of the Daniels bill are, to turn this closing-down authority over to the central government?

I don't think the record of the federal government in the safety field constitutes a recommendation for the Labor Department to both set the standards and assess the penalties.

What does that record show?

The federal government has a poorer record than many major industries in this country in terms of safety and health and accidents. This is one reason why I think you need this new commission to set standards and why you need to involve the states if you are going to do the job well or at all.

How does your bill compare with the Daniels bill from the standpoint of fairness in general?

I feel our bill is fair because it separates standard-setting from investigation and enforcement. It does this by having an independent board set the standards, having the Labor Department carry out the inspections and investigations and having an independent safety and health commission determine the penalties.

This contrasts vividly with the Daniels bill, where you have everything wrapped up under the Secretary of Labor. That makes him the judge and the jury and the prosecutor all at one time.

We favored our approach after two

years of hearings, after listening to witnesses who are experts in this field —the health and safety professional organizations, including the National Safety Council. All of them made the point that they felt it was imperative that no single agency of government have all this responsibility, that you ought not to have one man trying to do all of it.

The substitute is a fairer bill because it provides for judicial review at all stages—in the standard-setting, in the inspections and in the penalties. I think you have to have that.

And I think it is fairer, frankly, because it does not impose the "general duty" requirement that is in the Daniels bill.

"General duty?" Would you elaborate on that?

The Daniels bill says in Section 5, Paragraph 1, that the employer "shall furnish to each of his employees employment and a place of employment which is safe and healthful."

This means that regardless of any standards that are promulgated and even in areas in which no standards have been promulgated, an inspector can go into a plant and make a determination on his own that it isn't safe and healthful. The employer would have no way of knowing under such a vague requirement whether he was complying with the law. And yet the inspector could cause him to suffer a penalty. I think that is an impossible burden.

The substitute bill provides a specific duty to maintain a place of employment free from imminent harm that is readily apparent.

Do the two bills differ in other ways about violations?

The Daniels bill, in its violations section, is terribly complicated and confusing in terms of when an employer is violating and what penalty will be assessed against him.

Ours is drafted in a way so that there is no misunderstanding. Every violation, unless it is very minor, is subject to penalty.

There would be no question in the mind of an employer that if he doesn't follow the standards, he would face the penalty.

What over-all impact on business would the Daniels bill have?

I think it could be very negative. One, it would slow down the effective safety and health programs that are already under way in a number of industries and throughout the country.

Secondly, it would have a very negative impact on labor-management relations. There are those on the Committee who talk about what we ought to do with Taft-Hartley, who want to attack the provisions of Taft-Hartley.

That is up to them, but I don't think we ought to do it through the back door, and I think this is what is being done in the Daniels bill.

There is a third impact. Knowing that we are all for better safety and health, will the Daniels bill really achieve safer, more healthful working conditions? In my judgment, it will not.

Where does it go wrong?

In the standard-setting, for example, it sets out a very slow, cumbersome procedure—the appointment of an advisory committee and all this stuff.

Actually, this would stand in the way of good standards being set swiftly, effectively. I don't think that is beneficial either to labor or management.

Have you discussed your bill with union leaders?

I have told union representatives I think organized labor in this instance is being very short-sighted.

If it truly is interested in passing a good safety and health bill, I think the vehicle is the substitute, not the Daniels bill.

I might also say that in the safety and health field, organized labor pretty clearly is attempting in many ways to have government do the job that collective bargaining should have done.

Surveys that have been made indicate safety and health takes a place right after the coffee break in terms of importance in labor-management negotiations. The AFL-CIO has never even created a safety and health department.

How do you appraise your bill's chances?

I think there is at least a 50-50 chance that it can be adopted.

In large part, it will depend upon the efforts of a lot of people to call the attention of members of Congress to the problems and weaknesses in the Daniels bill, and to the reasons why the substitute offers the best chance for a really good health and safety bill in this session. END

The Working Jet Set

A familiar sight is the businessman who doesn't sit idle in an airport terminal while waiting for his plane, but uses the time for work. Harold Shratter of Pittsburgh, president of his own engineering consultant firm, never wastes time. His flights are relatively short and mostly in the East. On this trip he was waiting at John F. Kennedy Airport in New York for a TWA flight to Pittsburgh. He came into JFK from New London, Conn.

A generation ago, when an airplane passed overhead, its engines droning, you most likely stopped whatever you were doing and craned your neck to look at the sky. That night, you might have said to a friend, "Saw an airplane go over today."

In 1970, particularly if you're a businessman, your craning on any given day may well be for a look at the ground, rather than the sky.

Twenty scheduled United States trunk and local service airlines this year will have more than three million takeoffs, and passenger lists will add up to at least 170 million people.

Half will be men and women on business trips. It's not unusual for a large company to spend more than a million dollars annually on air fares, and some businessmen make as many as 200 flights a year.

Business people frequently do some sort of work as they fly—reading, dictating, condensing, notating, checking, memorizing or even negotiating.

The airport—and airplane—have become extensions of the office, as the pictures on these pages show.

Back in 1929, Norman B. Schreiber took a United Air Lines sleeper flight out of Chicago's Midway Airport for New York. The flight, a deluxe one, stopped only six times and took 12 or 14 hours. "You traveled on planes like you did on trains in those days," Mr. Schreiber says. Today, he's chairman of the board of Walter E. Heller International Corp., a $3.5-billion-a-year giant in the finance field with 10 offices in the United States and others in 15 countries. His company spends over $250,000 a year on fares for flights out of its Chicago headquarters and its branch offices. Mr. Schreiber makes about 60 air trips a year himself. Between flights he usually waits in United's Mainliner Lounges.

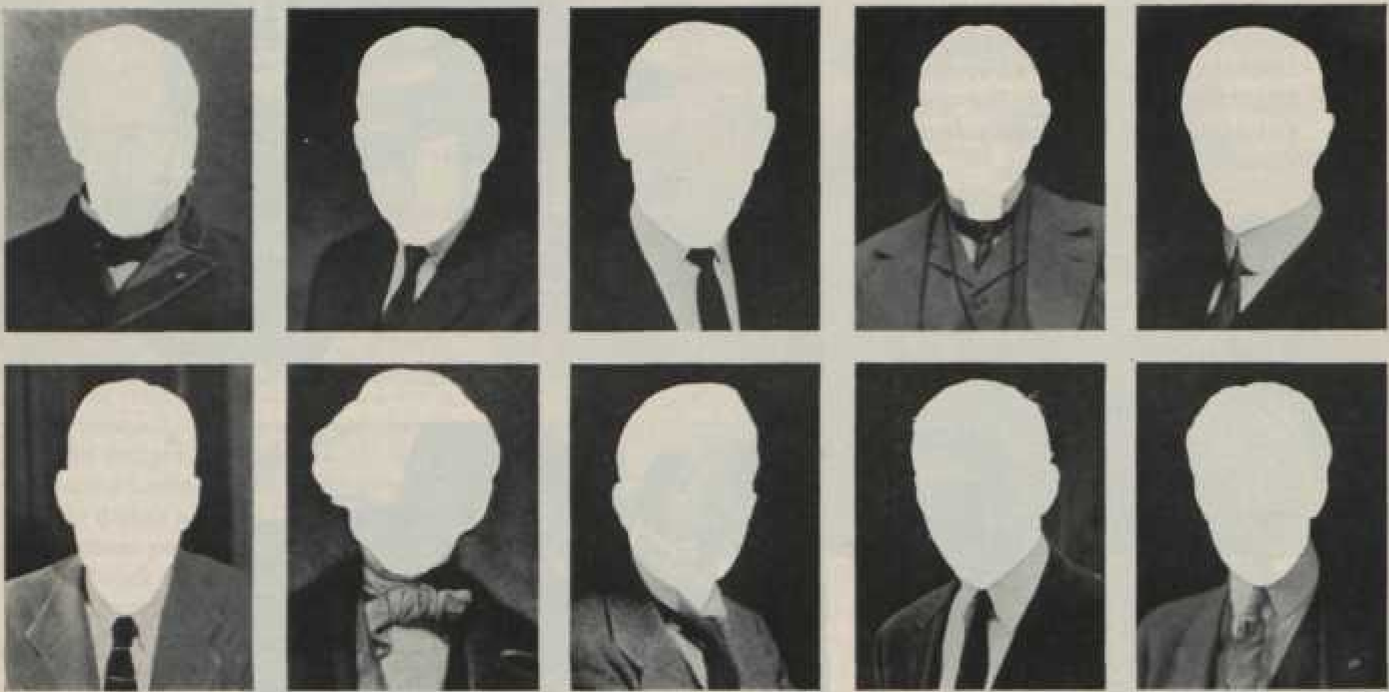
The upper deck lounge of the Boeing 747 jumbo jet—with 18 seats—is large enough to hold a full-scale board of directors meeting. Almost since the planes began service in January, businessmen have been using the lounges for conferences and places to spread out papers. On a recent Pan American 747 flight from New York to London, Paul Plante and Joseph Gold of Electroid Co.—a division of Valcor Engineering Corp. of Union, N. J.—got in several hours of work, away from telephones and visitors. The only distraction was stewardess Jane Wilson.

Many of the letters that Dr. Donald W. Collier's secretary types are from tapes he makes while flying into and out of Chicago. Dr. Collier works steadily from the moment he sits down in a plane until the No Smoking sign goes on for landing. He's vice president of research for Borg-Warner Corp. and he makes a Chicago to Washington or Chicago to New York flight every couple of weeks.

Though men far outnumber women on most everyday flights (vacation-time trips are an exception), women executives are showing up more often. A regular on Eastern's Washington-New York shuttle is Ann Brownell Sloane, vice president, International Development Foundation. She's a New Yorker who flies to Washington often to discuss foreign projects with AID—and also flies to South America to inspect projects. Air time is work-reading time for Mrs. Sloane.

END

Name the 10 Greatest Men of American Business



The United States is approaching its two hundredth birthday.

Between now and 1976 you'll hear much of our Founding Fathers: George Washington, Thomas Jefferson, John Adams, Ben Franklin, Patrick Henry, John Hancock and scores of other patriots.

These men produced America.

But what about the men who have done so much over the past 200 years to keep it great by building it into the world's mightiest industrial nation?

Would America be what it is today without Eli Whitney, who invented and manufactured the cotton gin? Or those historic figures in the automobile industry, Henry Ford, Walter P. Chrysler, Alfred P. Sloan Jr. and R. E. Olds?

Or that oilman without a peer, John D. Rockefeller Sr.; J. P. Morgan, whose name is almost synonymous with finance; Thomas Alva Edison, whose brainpower launched a thousand companies; communicator Alexander Graham Bell; or steel man Andrew Carnegie?

Or the Wright brothers, who made a contraption fly and turned it into an industry, or railroader Leland Stanford?

NATION'S BUSINESS believes the time has come to pick the 10 greatest men and women of American business and do them proper honor.

The people who will do the selecting are you—the men and women of business today. This magazine will be nothing but the catalyst and vote-counter.

Here's how the process will work:

Use the ballot to list your 10 nominees, who may be living or dead. Send in a few words about their accomplishments, and where they worked.

Ballots must be in by Nov. 10.

In the December issue of NATION'S BUSINESS we will list the top 25 nominees. A second ballot will be supplied in that issue for your use in selecting the 10 finalists, who will be announced in the March issue. Those selected will be suitably honored.

Return this ballot to: **Ten Greatest Men of American Business**

Nation's Business
1615 H St., N.W.
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Nominee:

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Notable for:

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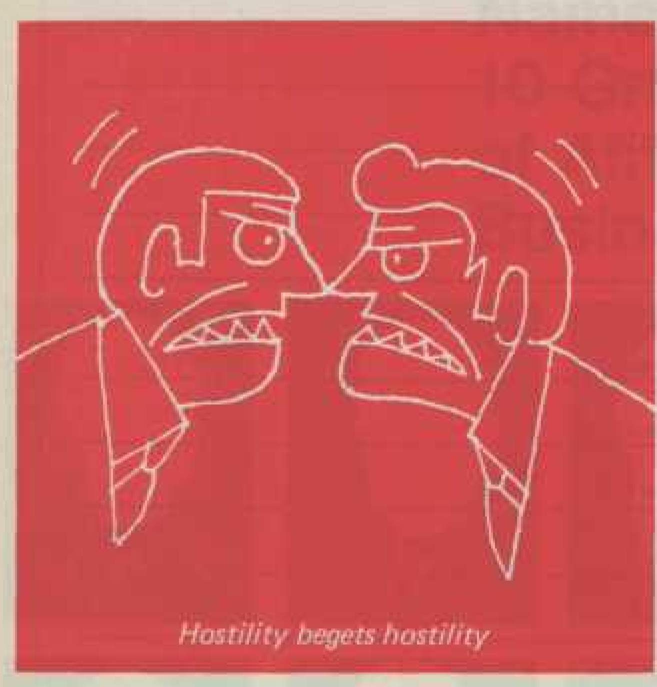
Hostility—A Big Expense You Can Avoid



Hostility begets hostility

Boost his ego

Hostility causes more misery, inefficiency, loss of work time and financial drain than any other problem in industry. In the form of anger, resentment and hurt feelings, it is a principal cause of mental, nervous and physical illness on the job.

Ask yourself how often you become resentful during the work day.

How do you deal with this emotion?

Discussing the question with businessmen in the United States and abroad convinces me that hostility is one of the most mismanaged problems in business.

What sort of trouble does it cause?

It is governed by Newton's Law: "To every action there is an equal and opposite reaction."

This means that one's hostility is always returned. The object of our anger turns against us and becomes unreceptive to our ideas and persuasion.

No matter how hard we try to conceal anger, it shows anyway, thus antagonizing the other person. Many blunders are entirely caused by resentful feelings. Hostility always generates anxiety; together they comprise the essential ingredients of nervous and mental disturbances.

When we try to hide anger—that is, to suppress it—serious mental and physical changes occur. Mentally, the individual becomes anxious, tense, irritable, indecisive, forgetful, careless and confused.

Over a period of time, suppressed hostility helps cause physical exhaustion, headache, virus diseases, ulcers, high blood pressure, heart disease, arthritis, allergies, diabetes and many other ailments.

Deleting hostility does not mean eliminating fight, firmness and resolution. Quite the contrary.

Without it, one becomes cool under fire, unflinching and firm. This was pointed out by Bernard Baruch, who took boxing lessons from Jim Jeffries.

Mr. Baruch related that the fighter told his pupils: "Try to put your fist right through your opponent's body, but don't get mad at him."

He had learned that much of a boxer's skill and judgment are lost when he becomes angry.

As an example of the harm wrought by hostility, let us consider this typical situation. Bill Calkins presents a plan to his boss, John Jones, who subconsciously resents his subordinate. Mr. Jones rejects Mr. Calkins's plan because he believes it lacks merit. He does not realize that his resentment is responsible for the rejection, rather than any fault in the plan.

Mr. Calkins, sensing his boss's attitude, becomes bitter and uncooperative. He does not dare express his anger, and therefore tries to conceal it. However, it is quite apparent to his boss. Thus, he unwittingly insures the rejection of any of his proposals.

How to cure your hostility

If Mr. Jones knew how to dissolve his hostility, he would be able to see the value of his subordinate's plan. Mr. Calkins would then become more cooperative, creative and better motivated.

Each would be able to work more efficiently with the other. Even if only one of them knew how to rid himself of his resentful feelings, it would erase the enmity of the other.

DR. MILTON LAYDEN, *author of this article, is a psychiatrist on the staff of Johns Hopkins Hospital in the Department of Psychosomatic Medicine. He has lectured extensively on this subject at businessmen's seminars.*

DRAWINGS: CHARLES A. DUNN

Resentment: self-poison

Here is what you need to know to rid yourself and your associates of hostility.

All of us have a need to feel that we are liked and appreciated. If we are not, we suffer a biological deficiency in the mental realm as real as lack of food in the physical.

Our invariable response to this deficiency is anxiety and a sense of inferiority. With it goes a mirage-like vision in which we see ourselves as superior to the other fellow. To free ourselves from the feeling of inferiority, the mirage causes us to see him as the one who is to blame.

Hostility is generated as a reaction to the feeling of inferiority.

Here are five simple steps which will enable you to rid yourself and your associates of hostility.

1. Awareness: Look carefully for any trace of irritation in your feelings.

2. The IH Principle: I = Inferiority; H = Hostility.

If you detect any hostility, ask yourself what is causing you to feel inferior.

3. Overcome your inferiority: Your concept of yourself as inferior is the result of hostile, belittling attitudes of your parents and, to a lesser extent, of brothers, sisters and teachers.

In addition, you often react with inferiority to disrespect, rebuffs and complaints received from your wife, children and associates. Recognize that such attitudes do not necessarily reflect on you, and that a man is no less for being blamed.

4. Apply the IH principle to the other fellow: Like the rest of us, he, too, may have become hostile only because he felt inferior.

5. Overcome the other fellow's inferiority: Your understanding that he is the innocent victim of the attitudes of others and perhaps of yourself will dissolve your hostility. The deeper your hostility, the more you must repeat these steps.

The hidden conflict

In analyzing your relationship with anyone, you must take into account that there is something going on between you that is far more significant than the subject being discussed. This is the vying for superiority. It is perceived by both parties, in spite of the most elaborate attempts at concealment.

For example, suppose the boss is suppressing the resentment he feels about a mistake by a staff member. Many signs make this resentment apparent. The eyes become narrow and menacing, the mouth tightens and some facial redness appears. On the phone, the tone of voice is a dead giveaway.

This transmission of hostility causes the staff member to make more mistakes. Don't approach him with a flat "You're wrong." The resentment generated would only blind him to your correction.

How can you correct his mistakes?

First, dissolve your hostility.

This can be done by asking him questions about the issue and mentioning how he has helped you on other matters. Then relate how you made a similar mistake. Humility is not degrading. Since it elevates the other fellow's self-esteem, he respects you more. Now that you have raised his esteem, he will be much more receptive to your correction.

The boss can openly vent his complaints and blow his top. But his employees, because of fear of demotion or dismissal, are likely to suppress their rage. Thus they are much more apt to develop serious illness or alcoholism.

Damage wreaked by hostility may spread like a turnpike chain collision. Witness the boss who is provoked by his wife's criticism at breakfast. At the office, he laces into his sales manager. The sales manager transmits his anger to 200 salesmen at the sales meeting. The salesmen then carry their irritations to their assorted customers.

And to think that this entire chain reaction originated with some trivial remark by the boss's wife.

And it could have been avoided.

Industry is being called on increasingly to apply the knowledge of science to environmental pollution. Concentration on this problem must not divert us from that of mental pollution—poisoning our minds with man's chief enemy, hostility. END

REPRINTS *of "Hostility—A Big Expense You Can Avoid" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

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LESSONS OF LEADERSHIP

PART LXIV

Birny Mason of Union Carbide

A better insight into employees' attitudes

An heroic chunk of the fiftieth floor of the stainless steel and glass Union Carbide Building on Manhattan's Park Avenue is pre-empted by the office of Birny Mason Jr. Its modern splendor is an apt setting for a man who is board chairman of an established, yet up-to-date and growing global giant.

The bright walls of Mr. Mason's office backdrop framed formless splashes of color. Sculptures on the tables are equally baffling. His desk is enormous and oval, with an inch-thick marble top cluttered with mementos of his travels to each of his plants. Union Carbide Corp. has them scattered around the world.

To the right of Mr. Mason's leather swivel chair is a picture phone, which he says is "very much equivalent to having a personal meeting, getting facial expressions and reactions" from officers of his far-flung corporation.

Most Americans know Union Carbide through its most popular consumer products—Eveready batteries, Prestone antifreeze and Glad household wrap and bags.

But the bulk of its \$2.9 billion yearly income is from industrial chemicals and plastics. Union Carbide also produces gases and related products, polyethylene bottles, metals and carbons. It is engaged, too, in materials systems and oceanographic and nuclear activities. The firm employs more than 114,000.

Pennsylvania-born Mr. Mason, now a 61-year-old grandfather, was 23 when he started his rung-by-rung climb to the zenith of Union Carbide. In this interview with a NATION'S BUSINESS editor, he tells how he succeeded, gives his views on business today and peers a bit into the future.

Was your boyhood ambition to be a chemist or a businessman?

The only recollection I have of a clear desire was when I was around six—and this probably was just a childish thing—but I did have a great desire to be a doctor. That never worked out.

Incidentally, my grandson has the same keen interest at age six.

Came time for me to go to college—that was 1927—and some family friends in the chemical business advised me that the chemical industry was developing faster than ever before in this country. World War I had clearly demonstrated that we were inadequate in this industry. So I studied chemistry and chemical engineering at Cornell.

Your first job was with Union Carbide?

Yes, in 1932 in Charleston, W. Va., where this corporation was giving birth to what now is called the petrochemical industry. It was then called synthetic organic chemicals.

For four or five years I was in research and pilot plant development operations. I also was exposed

to some engineering and commercial production work.

What made you switch out of technical work?

I didn't feel I had any outstanding, unusual talent in that area. I found myself working with people who were simply smarter than I when it came to working out engineering problems.

As an illustration, I studied calculus at Cornell and managed to get an A grade in it. I think I'd been working on a complicated problem in Charleston for several years, and one day one of my associates said, "Well, the only way to solve this is by calculus," and he immediately began to set up equations for doing it. That's when the moment of truth came. I said to myself that using calculus not only would never have occurred to me, I couldn't have used it had I wanted to. He was able to use calculus as a tool, and to me it was by that time just another course I had studied.

What did you do?

I actually considered leaving that kind of work. Then World War II came and we were drawn into the construction and operation of synthetic rubber plants. We built a butadiene plant at Louisville, Ky. While I was pondering my future, I was asked to go down to Louisville as assistant superintendent of that plant, because it just so happened that I had worked on pilot plants for the development of both butadiene and styrene, two chemicals that react to produce synthetic rubber.

What new skills were called for then?

I was drawn into negotiations with labor unions for the first time. Union Carbide at that point had very few unions, which meant there were very few people who had any exposure to that kind of work. But we had 13 unions in Louisville, and I wound up spending a great deal of my time dealing with union representatives and learning to operate an organized plant.

Did you enjoy dealing with unions?

I wouldn't say that it's an entirely pleasurable activity, but I soon found that I enjoyed working with people rather than technical problems.

What was the result of your labor relations experiences?

It drew me into New York, into the corporate offices. I became manager of industrial relations for the entire corporation. By that time we had more than 100 union contracts and were dealing with about 25 different unions. So this was a job of coordination.

What do you see as the chief problems in collective bargaining today?

The laws that govern collective bargaining are not properly balanced. A good many of our problems stem from that basic fact, and I don't think many of them will be corrected until there is new legislation.

What new trends do you see in labor union movements?

You're going to have a whole new area of problems stemming from the organization of public employees—municipal, state and federal. There are strikes that I think most people would agree are intolerable, and you have to have a mechanism for resolving this kind of dispute. I'm inclined to think that—as much as it is considered anathema by industry and labor—there will be a trend toward some means of settlement that will be at least a modification of arbitration where public employees and certain industries, such as transportation, are involved.

Your firm has been hit by coalition bargaining. Do you think unions will enlarge this tactic?

Coalition bargaining is moving in the direction of the exercise of union political power. After all, unions are political in character. I don't mean that critically; that's the nature of unions. Union leaders, like people in political work, are subject to re-election. When you get into coalition bargaining you are dealing more in the exercise of sheer union power than with the requirements of the employees.

The unions argue that business is conglomerating more and more, so why shouldn't unions bind together to bargain?

A professor by the name of Bakke at Yale University first pointed up the nature of union-company-employee relationships. He pointed out that there is the company-employee axis, the union-employee axis and the company-union axis. They sometimes work against one another.

In coalition bargaining you're operating almost entirely on the company-union axis. With the company-employee axis, hopefully you're negotiating on benefits, wages and working conditions, and our own experience has been that the more localized these become the more successful you are with collective bargaining.

This has been demonstrated time and time again in the past two years: People who are negotiating on a broad front, such as industry-wide or nationwide contracts, may reach agreement but cannot get ratification of their locals. I happen to feel very strongly that coalition bargaining as such moves in the wrong direction.

What are some of the most important things management can do to establish good labor relations?

I don't think employees who are members of unions are any different basically from employees who are not, and in the end, if they're properly treated with some understanding of their problems, it doesn't make too much difference whether they're organized or not.

Do you think there's anything special about industrial relations training that equips a man for higher management?

You can certainly get a little better insight into needs and attitudes of employees through that kind of experience.

You became president in 1960. What do you consider the most important steps you took in that position?

The most fundamental change was a rather complete reorganization of our management structure. Union Carbide Corp. through the years had operated pretty much as a holding company. We began to move toward a coordinated operating company.

I understand you set up a four-man

top management group called the President's Office?

At the time I became president the office was really pretty much of a one-man band. By this time Union Carbide had become so large, truly a world-wide operation, that I considered it impossible for any one person to have all of the knowledge, all of the experience necessary to manage all of the affairs of the corporation.

So we set up Union Carbide operations overseas, separate groups consisting of Union Carbide Europe, Union Carbide Pan America, Union Carbide Far East and Union Carbide Africa. We regrouped our domestic divisions so that they would be more manageable and created what now is very common—group vice presidents in charge of more than one operating division.

In all of these groups, senior officers have direct responsibility for the operations under their direction. They also, therefore, have somewhat special interests, and I felt the need to have more than one person who had no interest but the over-all interest of Union Carbide. So I formed the President's Office. The same thing is being done now by a number of other companies—I assume for the same reasons.

Why was the President's Office arrangement dropped after you became chairman in 1966?

I don't think any of these things should stay fixed. We just adjusted as our requirements changed. The situation we once had seemed well served by the President's Office, but now I don't think that it is necessary. Some future management may re-create it, I don't know.

What other big steps have you taken?

We undertook a program of complete review of our compensation administration. We also consciously developed a much more active program in public affairs. We broadened our board to include directors from other countries, because we had begun to grow so rapidly overseas and had truly become what now is called a multinational corporation. We also broadened our approach to financing. We had never had a public debt issue prior to 1967.

How did you expand your public affairs program?

For various reasons Union Carbide Corp., by comparison with other large companies, had never really been active in what is now called public affairs. We didn't have a Washington office, for example.

We now have regional vice presidents. We have one in Washington, one in Chicago, one on the Pacific Coast, one in the Middle Atlantic area and one in Puerto Rico, where we have many operations. These officers work on the coordination of community problems and government relations.

It's now pretty well organized. We have what we call a public affairs committee which is made up of these regional vice presidents plus others who meet periodically to review new developments. It's through this device that we examine such problems

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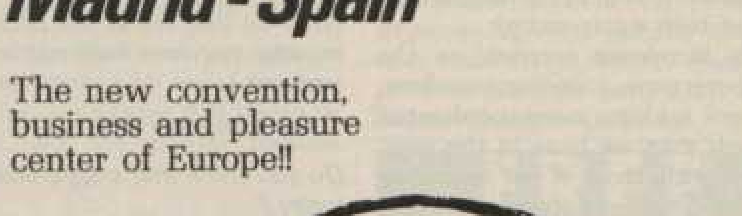

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as—well, the best illustration right at the moment would be pollution of the environment: What should we be doing that we're not doing, what are the problems all around, how can we best proceed?

How are you answering those environmental questions?

They're not new to us despite all the public clamor at the moment. We've been working on them—I think I can say very constructively—with the expenditure of many, many millions of dollars for quite a long time. We operate in a number of different industries with all kinds of facilities and one way or the other we have been involved in controlling pollution of both water and air.

With increasing interest on the part of everyone, including ourselves, we're now taking a more coordinated approach than we have in the past. Until recently most of our operating divisions have been approaching these problems pretty much on their own, because they are different in different divisions. We're now supplementing that effort with corporate people, and we're working with government representatives all the time, local, federal and state—very active programs.

There are all sorts of suggestions for government controls on pollution. Are these realistic?

I don't think anyone today would dispute the basic premise that one way or the other this country has been neglectful and the neglect is catching up with us very rapidly. However, as in so many of these things that have public interest, you get an emotional factor that can get out of balance. This is a danger. You very seldom get the right answers to problems through exercise of your emotions.

This is to me a perfect illustration of the kind of problem that ought not to be made controversial with conflicts between government, industry and the academic world. All of these elements should be able to work together to come to a sound solution. So I would hope that realistic, not disruptive, programs are developed.

What would be an example of a disruptive program?

Well, the overnight development of unrealistic regulations which cannot be met without literally shutting down an industry, with resultant unemployment.

I just happen to be a boating enthusiast, and I was reading over the weekend the boating pollution regulations in this state. They simply cannot be met. The law requires that boats have a so-called disposable system, which means that the boat has to go to shore and be pumped out. I don't know what they do after they pump it out. I guess they pollute the area there. Most boats don't have space for this kind of thing. This law is truly disruptive, unworkable, in my opinion.

What do you see as the proper relationship between business and government?

A cooperative one.

Do you think that cooperation exists today?

Increasingly so. You often hear the government criticized for being big, and you have critics of business for its bigness, but my view is that in many areas only a large organization has the resources to cope with the bigness of the problems.

So I don't criticize government for its bigness per se, any more than I think people should criticize large corporations for their bigness per se.

It's pretty much a matter of record that the Kennedy Administration was a very difficult period for government-business relations. I think the Johnson Administration worked very hard to improve relations with business and did. This is equally true, if not more so, in the present Administration. There's now much more involvement of businessmen on an advisory basis working together with government people on problems we all have in common.

Returning to your management techniques, how do you get and keep good men?

We try to acquire basically competent people. We try to be certain that our compensation is good, that the so-called benefit plan structure is up-to-date and appropriate and competitive with other companies. From that point on, I think, as I said earlier, it's largely the treatment of your people and the conscious effort to train them to achieve their full potential and always consciously to consider them for advancement in their assignments.

If you're successful in doing most of these things, you don't have too much of a problem in losing people. By comparison with other large corporations, our loss of people is almost negligible.

What makes a good executive?

People are, of course, quite different, and meet their responsibilities in different ways. As a matter of personal philosophy I repeatedly have said to our people that we're agreed on what we want to do, but I leave it to you as to how you do it.

How can you spot a man who is going to move in your company?

I'm not opposed to so-called evaluation systems in which employees are periodically reviewed. These may be helpful, but in the end, personal judgment in the evaluation is probably more important and more useful. My experience is that it's hard to define these qualities, that the men who have them are pretty readily identified by their associates. They obviously perform their assignments successfully.

I've always put a very high rating on personal integrity as one factor for an executive, because anyone who assumes executive responsibility is truly assuming responsibility not just for himself but for a great many other people, employees who work for him, stockholders and consumers of our products.

What is the biggest problem in being a manager?

The manager is dealing with the resources of the corporation when it comes to finances and technology, investments and so on, but in the end he can't do much with any of these resources without the support of people. So the most critical factor in management is dealing with people problems.

I happened to be with someone recently who was asked a question not too dissimilar to this one. He gave an

overly simple answer, but it had some substance to it. He said, "Being a top executive is primarily being a personnel manager."

What do you see in the future for Union Carbide? Where are the growth areas?

Pretty much all over. We've just gone through two or three very difficult years, mainly because of the coincidence of a lot of changes and the adoption of a lot of new programs, all of which hit us pretty much simultaneously. We had to undertake a world-wide reorganization at the same time that we were forced into a much larger construction program than we had ever had before.

We reached a peak of around $450 million of construction in one year, which was quite a strain on our resources, both financial and manpower. Complicating that, unfortunately, we had an extremely difficult time starting up all these new facilities. They were all quite large and involved advanced technology, such things as computer controls.

By 1969 we were beginning to work our way through these problems and correct many of them, and it was, of course, reflected in our earnings. We had a 19 per cent increase in earnings last year, which was much higher than most other companies had. I think at present we are well over the hump.

Most of the problems we had are either resolved or well advanced toward resolution. In the meantime all of our businesses are growing, particularly overseas. We have also eliminated a number of our businesses which for one reason or another we felt someone else could perhaps do more with than we, freeing more capital money to invest in newer programs and newer products.

What benefit have you derived from outside activities, such as memberships in the Business Council, the Economic Club of New York and the National Safety Council, and being a governor of the New York Stock Exchange?

I think participation in outside activities is quite important. In a company as large and complex as ours, there's always a tendency to become deeply involved in just the internal problems of the corporation. You can get somewhat inbred as an organization, not fully cognizant of the changes that are taking place that will affect your corporation.

So it's almost essential that your people have enough outside activity to broaden their perspectives. The only way you can do that is by participation—in my own case, in organizations like the Business Council.

The Stock Exchange was a little different, but this, in turn, gave me a better insight into the workings of the financial world.

You encourage your other executives to participate in similar activities?

Yes, we do. However, you always have some people who are inclined to overdo this. It's a thing that has to be watched and the proper balance maintained.

Do you have a formula for making tough decisions?

No, I can't say that I do. Where I have really important, far-reaching decisions to make, I like to, as they say, sleep on them overnight—if time permits. I like to get out of this office and all the confusion, telephones and pressures and meetings and have one last opportunity to reflect quietly, usually in the evening. I would say the most difficult decisions that I have to make are usually made that way. In fact, I rarely come into the office in the morning without having decided pretty much everything that I have to decide at that time.

How many hours do you put in?

I go back to my predecessor, Morse Dial. As he was leaving he said, "Well, you'll find that no matter where you go, you can call it vacation or holiday, you'll never get away from Union Carbide Corp."

And he's right?

He is quite right. I'm not overworked; I plan my time fairly carefully. But anyone in this position is to some degree working all the time.

Some of our editors back at the office want to know how come you look so young. What's the secret?

I guess that is one thing over which I have absolutely no control.

What would you say has given you the greatest satisfaction in your career?

Well, that's interesting, because I don't think I've ever thought of it that way. Essentially, I suppose it's been the resolution of difficult problems.

This is, in the end, pretty much what this kind of office is all about.

END

REPRINTS *of "Lessons of Leadership: Part LXIV—Birny Mason of Union Carbide" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

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Never was fine old bourbon raised with more joy than by Dutch fisherfolk of Terschelling and Ameland islands off northern Holland. A deck cargo of bourbon in barrels washed off a freighter in the North Sea and Jort Zorgdrager, a beachcomber with a parched throat, came upon the treasure on the beach. For months islanders sipped freely.

Bourbon Branches Out Across the Water

An increased taste overseas for the native U. S. whiskey is a stimulant for American exports

The freighter *Portoria*, bound for a German port, ran into heavy seas off the northern Netherlands island of Terschelling one night not long ago, and much of her deck cargo was swept overboard.

In the hours that followed, there were strange goings on along the beaches of Terschelling and the nearby island of Ameland. Dour Dutchmen furtively waded out into the crashing seas, lifted barrels high over their heads and rushed ashore with them. Some barrels were quickly buried among the dunes. Others were taken away in trucks.

Since then the people of the Dutch North have been a merrier, more relaxed lot. For they were introduced that fortuitous night to the delights of fine bourbon.

Only 28 barrels from a total of about 150 were ever recovered by the authorities.

These quiet, usually law-abiding Dutchmen are not the first or only Europeans to sip the native American spirit and find it pleasurable.

Germans, Britons, Italians, Belgians and, of all people, Frenchmen have been developing a taste for bourbon in recent years, though to many Europeans it's downright indecent to drink any alcoholic products but those of the Old World.

Last year, 611,839 proof gallons of bourbon—an industry term meaning gallons that are 100 proof, or 50 per cent alcohol—were exported to West Germany, Italy, France, Britain, Belgium and Switzerland alone. In 1961, the total was 61,635 proof gallons.

There also has been a tremendous upsurge in exporting of bourbon to Japan, Australia and Mexico, where it is going down dry, eager throats at a rate 10 times greater than 10 years ago.

There were 2,152,417 proof gallons of U. S. bourbon exported to 105 countries last year—a thumping 44.7 per cent increase over the year before.

One big reason bourbon is selling so well among Europeans is that ordering it creates deluxe status for them. Scotch is still, and may always remain, the favorite hard drink of Europeans, but like everyone else they enjoy trying something new.

Putting on the dog

It's common these days in pubs of England, bistros of France and other bars across the Continent for thirsty travelers to enter and in a rasping voice order "American whiskey."

Then they glance about, trying to look ever so casual, but actually making certain others have noted that a real sport has entered and is ordering the newest thing.

In Germany, where 337,849 proof gallons of bourbon were consumed last year, the practice is sometimes different.

If the drinker wants bourbon he says, "Viskey." If it's Scotch that

he wants, he orders, "Viskay." The difference not only is in the pronunciation, but also in the spelling.

The word is spelled "whiskey" in the United States, where bourbon comes from, and "whisky" in much of Britain, home of Scotch.

Bourbon might have caught the fancy of foreigners years ago if there had been enough of it to export. "Only recently have we been producing enough bourbon to sell abroad," says Admiral William J. Marshall, president of the Bourbon Institute in New York.

"For years we sold all we could produce right here at home. But production is up now and we are finding that American tourists and military men who drink bourbon when they are out of the country have been excellent bourbon boosters.

"Still, you know, 48 times as much spirits are imported into the United States as bourbon is exported."

The flow is freer

Getting bourbon through foreign customs barriers has always been a tough process, much harder than the problems foreign spirits-makers encounter in bringing their products into the United States. This situation is now changing.

"Europeans and Japanese are beginning to lower some of the restrictions which have stood in the way of bourbon," Admiral Marshall says.

"We all know about duties, of course. But we ran into difficulties and barriers of other kinds. Some bourbon people had trouble for years in getting licenses abroad. Italy has dropped a system whereby a bourbon company was forced to spend an amount of money in Italy equal to the amount of money the company got for its bourbon. Germany has relaxed its restrictions down the line and in 1969 Japan dropped its quota regulation.

"Still, there's a heavy duty in Japan. It works like this: On the value of a case of bourbon, plus insurance and freight, you add 35 per cent. You pay a duty of 220 per cent on the total.

"And look at France if you want to see that all is still not well. It's against the law to advertise bourbon there."

The growing importance of bourbon in Europe has brought other transformations along with such changes as the newfound happiness in Holland and the spirited putting on of airs in bars.

Forever amber

For years all sorts of amber-colored alcoholic drinks were sold in Germany under the blanket name "bourbon." Typical bourbon names, many of them with an "old" in the title, were used on labels printed to look as if they came straight from Kentucky, Tennessee or Virginia. But the stuff in the bottle would make a genuine bourbon drinker blanch.

That's all been stopped now by law. The Superior Court of Hannover recently enjoined a distiller from calling his product "Bourbon, U. S. A., Red and Black" and putting the phrase, "Straight Bourbon Whiskey" on the label.

The ruling was that the contents were not produced in the United States and did not meet U. S. requirements for bourbon. Therefore, the drink was not bourbon.

Distillers and bottlers of fine Scotch have long contended with imitations made on the Continent. The imitations have never approached the taste of Scotch from Scotland, any more than the simulated European bourbons have approached the taste of the real thing.

But that hasn't stopped some German and French hosts and hostesses from pulling a sneaky trick which can drive a true lover of Scotch right up the wall. And now they're pulling the trick on bourbon lovers, too.

First drinks they serve at their parties are excellent bourbon or Scotch. The bottles are prominently displayed. The second round, too, may come from those bottles.

But, oh that third round! And the fourth round! It's usually a cheap German imitation of bourbon or Scotch—terrible stuff. The host and hostesses hope everyone's taste buds have been so altered by the earlier drinks that the difference won't be noticed.

But they're usually wrong. For a drinker of good bourbon or Scotch knows. He knows. END

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Edward B. Miller was a management lawyer specializing in labor matters when President Nixon named him, over objections from organized labor, as chairman of the National Labor Relations Board.

Changes Ahead in Washington's Labor Policies?

Interviews give an insight into how two men from management backgrounds approach their jobs as Secretary of Labor and chairman of the NLRB

New Secretary of Labor James D. Hodgson, a veteran business executive, says his administration of giant department will be impartial and "pretty pragmatic."

For the first time since the '50s, men with management backgrounds hold the two top U. S. government jobs dealing with labor relations.

As can be expected, businessmen applaud the fact that there is first-hand understanding of the business position on labor matters in such spots. And, predictably, some labor union officials are grumbling.

But both new officials, in interviews with a NATION'S BUSINESS editor, insist their former allegiances will not influence their actions.

"The administration of the Labor Department is going to be right down the middle in its approach to all parties," promises Secretary of Labor James D. Hodgson, who used to be vice president for industrial relations at Lockheed Aircraft, Corp.

The new chairman of the National Labor Relations Board, Edward B. Miller, used to be a management lawyer specializing in labor matters.

"We'll enforce the law without bias," he avows.

AFL-CIO President George Meany strongly opposed Chairman Miller's nomination. But he extended "congratulations and good wishes" to Mr. Hodgson when he was named to succeed Labor Secretary George P.

Faster handling of NLRB cases is one of Mr. Miller's major goals despite increased workload resulting from expanded jurisdiction.

Shultz, the man President Nixon chose to head that new White House superagency, the Office of Management and Budget.

Mr. Shultz won praise from all corners for the way he ran the Labor Department. Mr. Meany promised that Mr. Hodgson "will receive the same cooperation accorded to his predecessor by organized labor."

Less enthusiastic over Secretary Hodgson is Leonard Woodcock, president of the United Auto Workers. He says: "The UAW does not question the integrity of Mr. Hodgson, but we do find it curious that a management man becomes charged with the vital function of protecting and furthering the well-being of American working men and women."

Mr. Hodgson (it's pronounced "Hod-son") says he does not share the thinking, prevalent among unionists, that the Labor Department should represent the unions' interests in the federal government.

"We feel that organized labor needs a place to come in government where they can feel comfortable, where their concerns will get a good hearing—and we're going to make sure that we develop such a place," he says. "We're not going to be a spokesman for them; we will be a friend to them."

A working relationship

Some commentators have referred to Mr. Hodgson and Mr. Miller as the Administration's new labor team. Officially, their agencies are independent of one another, the NLRB being a creature of Congress. The President, however, does nominate members of the NLRB for staggered five-year terms.

Mr. Miller says there are areas in which he expects to be working with such government branches as the Labor Department, the Equal Employment Opportunity Commission and the Federal Mediation and Conciliation Service, another agency now chaired by a management veteran.

These areas include manpower training, racial discrimination in the workplace, wildcat strikes and charges of unfair bargaining tactics.

"Each of us has to be sensitive to the desires of the others," Mr. Miller says. "We need some sort of working relationship.

"When we speak to Congress on proposed legislation, I would hope we would speak pretty much with one voice."

Chairman Miller and Secretary Hodgson differ slightly in their concepts of the government's proper role in the labor relations between private businesses and their employees.

"My basic philosophy is: The less the better," Mr. Miller says. "But as far as my present job is concerned, we'll enforce the law without bias."

Secretary Hodgson, on the other hand, calls for "partnership" between the government and the private sector.

"We have to realize," he says, "that seven out of 10 jobs in the country are in private industry, and unless government agencies can learn to work in harness with private industry—to elicit cooperation—the government is going to be swimming upstream with every single activity it undertakes."

Taking it from the bottom

Mr. Hodgson, who is informal and breezy, describes himself as "a practitioner."

"I tend to look at things from the bottom up," he says. "What's the effect of things in the workplace, at the bargaining table, in the labor market? How does that effect manifest itself against the policy decisions we are required to make?"

He adds: "I suppose that I'll reflect a pretty pragmatic point of view."

Mr. Hodgson, 54, was born and brought up in Minnesota. After graduating from the University of Minnesota, he was supervisor of youth employment for the state. In 1941, he joined Lockheed Aircraft in Burbank, Calif. Except for a World War II stint as a Navy air combat intelligence officer, he worked for Lockheed right up to 1969, when he was named Under Secretary of Labor.

While at Lockheed, he taught labor relations part-time for five years at the University of California at Los Angeles. At the bargaining table, he gained respect of union negotiators.

He sees the main difference between himself and his predecessor as one of style, not of objectives.

Mr. Hodgson says that he was "comfortable" with Secretary Shultz's aims and that there will be "a continuity of policy" at the Labor Department, with the emphasis on pushing for legislation such as that dealing with minority training programs.

"However, we all know that in the people business things change fast," Mr. Hodgson adds. "Already, the problems of 1969 seem to be light years in the past. I try to tell all the managerial people here to be alert for these changes. We need to try to see them in advance and provide means of dealing with the changes in circum-

stances that we're going to come up against.

"We need to look for targets of opportunity—places to place our bets, so to speak—and as they manifest themselves try to zero in on them."

Principal priorities

Mr. Hodgson sees three principal priorities at this time:

1. To place collective bargaining responsibility clearly in the hands of the parties themselves, not the government. "We will provide a helping hand, but not a strong arm, in reaching a resolution to their problem," he says, "but we won't tell them what that resolution ought to be."
2. To develop and expand the concept of equal employment opportunity in America, mainly through manpower programs and use of the federal procurement power. "We've started to make a dent," Mr. Hodgson says. "We've got to keep that up and make sure that ultimately the level of unemployment is not going to be reflected in racial figures."
3. To improve "the environment of the workplace." Most Americans "spend more of their waking hours in the workplace than anywhere else," Mr. Hodgson says. He adds that the main Administration task in this area is to press for an occupational safety and health bill that is "fair to everybody and yet capable of achieving a new high standard of safety and health." [See "At Issue: A Fair Approach to Job Safety" on page 47.]

Secretary Hodgson says the thing that disturbs him most about the labor laws he must enforce is their inadequacy during major crises in the transportation industry.

"Every time we face a crisis," he laments, "you can trace it back to the operation of the Railway Labor Act—in lengthy delays, in constant procrastination, in the fact that there is no clear way of getting effective, forceful collective bargaining going."

He says he hopes Congress will get around to giving attention to the Administration's new emergency disputes legislation, which is designed to "get real bargaining going" in the railroad, airline and trucking industries. But he claims the history of labor law shows Congress usually acts only when a crisis is at hand.

"Somewhere along the line, we will be faced with a major crisis in transportation," Mr. Hodgson predicts. "We drafted our bill in advance of the crisis, so we don't have emotionally-laden legislation. We have something that is objective and fair."

The Administration bill is called by some "a mutation of arbitration." It provides that as a last step—after bargaining, hearings and mediation have failed to settle a labor dispute in transportation—the President can appoint a three-man "selector" board. The union and management each gives the board its best version of a fair settlement, and the board has authority to pick one of the two and make it an order.

Another major area of concern to the new Labor Secretary is bargaining in the construction industry. He notes "a continual instability" in construction, with one of every three negotiations ending in strikes, some of them lengthy. He further notes that wage settlements are probably the highest of any single industry.

He blames a large part of this instability on a bargaining structure in which individual local construction unions deal with individual contractors.

"A settlement in one locality becomes a floor from which a group in another locality has to take off—and that has a pyramiding, leapfrog effect across the country," Mr. Hodgson says.

He advocates regionalized bargaining in construction.

Long-term outlook

In general, the Secretary says, bargainers should guard against drawing up long-term labor contracts "that don't reflect the long-term circumstances."

He says: "We're not going to tell them what the settlement should be, but we are going to tell them in our judgment what the future economic situation is going to be." (At present, his judgment is that a leveling-off of "this inflationary spiral" is likely.)

Asked his opinion of cost of living escalators in labor contracts, Mr. Hodgson says: "I think it is a completely unanswerable question as to whether they constitute the chicken or the egg—whether they are the result of inflation or whether they constitute a cost push and have a continually accelerating affect."

He says the Nixon Administration believes true improvement in wages depends on improvement in productivity. So instead of looking toward wage and price controls, "we are accenting the positive, and we've developed a productivity commission to renew emphasis on improving productivity in the economy. History proves that constantly improving productivity is the way to get real wage gains."

Mr. Hodgson says the Labor De-

Labor Secretary Hodgson approaches policy decisions in terms of effect "in the workplace, at the bargaining table, in the labor market."

partment's Bureau of Labor Statistics is giving renewed attention to developing an index of available jobs to be used along with unemployment indexes to give a truer picture of the employment situation.

He also has a study under way to determine what part the federal minimum wage has played in the high rate of unemployment among Americans aged 16 to 23. So far, he says, the study has been inconclusive.

The minimum wage plays some role, he believes, but so do other factors such as the handicap of vulnerability to the draft, the fact that preparatory education in America is mostly general, not vocational, and changing life-style patterns. "There is very little attachment to the commercial world for a young person until he gets out of college," he says.

The Secretary likes to point out that the insignia of the Department of Labor, which became a separate Department in 1913, contains a plow and an anvil. He ran a check and discovered that in 1913 there were about eight million farm workers in America and a half million blacksmiths. Today the number of farm workers is down to a half million, and blacksmiths have almost disappeared.

As occupations have changed, he notes, so has the lot of the wage earners—particularly in the past 15 years.

"They are moving away from beer and hamburger living to steak and highball living," he says. "When a union now runs a check on members' interests it finds they are mainly concerned with taxes, home buying, high interest rates—typical middle class concerns. There is no question that the wage earner in America now becomes more and more middle class."

A changed NLRB?

Secretary Hodgson, who would be involved in an Administration decision to try to change the structure of the independent NLRB, says the Labor Department has no proposals for such a change. He believes any necessary alterations can be made "through hiring outstanding professionals" at the Board and its General Counsel's Office.

Chairman Miller, on the other hand, says he would have no opposition to an NLRB restructuring that "still provides intelligent administration of the complexities" of the labor law and would make the NLRB "more of an honest-to-goodness impartial court."

Because of the complex nature of labor law, Mr. Miller does not think a bill proposed by Sen. John Tower (R.-Tex.) would be "the best kind of development." Sen. Tower would strip the Board of its powers over unfair labor practice cases and turn them over to federal courts. The NLRB would deal only with union representation cases.

The NLRB chairman, who has been in the labor law field for 22 years, still keeps a pamphlet copy of the National Labor Relations Act at his left elbow.

Asked what he thinks of the law that he is charged with administering, Mr. Miller pauses for a long moment and says he thinks that in general it is a good one, sound in its basic objectives, but not perfect.

"I don't think I'd want to see a substantially more detailed law," he adds. "I think Congress left the law flexible so some of it has to be developed as you go along.

"While we still have our problems in labor relations, we feel somewhat proud when we look at some other countries with wildcat strikes occurring every day of the week and as many as 15 or 20 unions representing the same employees.

"While our way may not be the best, we do, by and large, have things channeled into fairly orderly procedures. I'll go along with George Shultz in saying that strikes are the least worst form of protest we have—certainly better than having Big Brother dictate what the terms ought to be."

Snowy-haired Mr. Miller, 48, a Republican, was a partner in the Chicago law firm of Pope, Ballard, Kennedy, Shepard & Fowle. The son of a physician, he was born in Milwaukee and grew up in Clintonville, Wisc. Like Mr. Hodgson, he was in the Navy in World War II—he served in the Philippines. He got his law degree at the University of Wisconsin and did graduate work at Harvard's business school.

Mr. Miller was sworn in last June to succeed Democrat Frank McCulloch as chairman. A favorite of union officials, Mr. McCulloch had drawn the ire of some businessmen for some of his decisions and handling of Board affairs.

Mr. Miller, however, says he doubts there will be any "really dramatic changes" as a result of his chairmanship.

Speedier decisions

"Obviously," he adds, he has "some views" which differ from Mr. McCulloch's, but he expects most changes will be internal, especially in the direction of expediting the NLRB's handling of cases.

Mr. Miller hopes for quicker NLRB action even though the agency is assuming jurisdiction over such new areas as hospitals and colleges and someday could oversee the labor-management problems of the new U. S. Postal Service.

"That," Chairman Miller says, "will be another case load of totally unpredictable size, which nobody has had experience with."

He says he has no plans for cutting down on the oft-criticized speaking engagements of NLRB members. "We are truly distant here in Washington," he explains.

He believes it is important for NLRB officials to get around the land, have a cross-exchange of ideas and to tell the people what the NLRB is all about.

"I'm aware," he says deadpan, "that the Board has not had the best public image that it could have."

Mr. Miller is delaying his own speaking engagements until October in order to give himself some experience at the job before going out to field questions and fault-finding.

"I've told a number of people that as I sit in this chair I hope I won't get immune to criticism," he says. "I think criticism is very helpful here at the Board. Of course, I hope that it will be constructive.

"I think we have to stay alert to it, whether it comes from businessmen or unions or law professors or who else. If I ever get to the point here where I say that you're criticizing me because you want to destroy me, I will resign." END

THIS MONTH'S GUEST ECONOMIST

Donald R. Burrus
Manager, Advanced Economic Planning
Texas Instruments, Inc.

A LOOK AT THE NEXT FIVE YEARS

Forecasting for the next year's economy has been almost universally accepted as an indispensable part of corporate planning, and considerable effort is spent on it annually. In addition, speculation about the wonderful world of 1980 and even the year 2000 is becoming increasingly popular in America's board rooms.

Far too little effort, however, generally is given to trying to figure out what the next two to five years will be like. We often simply assume—incorrectly—that they will be pretty much an extension of the trends of the immediate past. The fact is, the tempo of economic change is increasing.

Some of the most disruptive influences in the economy in the recent past have been largely noneconomic, such as the Viet Nam War and increasing social discontent. Other noneconomic events probably will disrupt the economy in the future.

Important economic trends also will be shaping the economy. The intermediate-range trends often are emerging problems that will be greatly magnified or extended over several years.

Following are some of the major trends—which we can now identify—that will affect the economy in the next two to five years:

1. The fiscal 1971 budget reduces defense spending by a substantial $7.6 billion below fiscal 1969, and not only will defense spending continue to drop at least through fiscal 1973, but current planning calls for a sharp decline in manpower from 3.5 million troops in fiscal 1968 to an estimated 2.8 million in fiscal 1972.

For nearly 10 years, U. S. military strategy has been one of limited war, conventional weapons and flexible ground troop response. The shift now is being made to large strategic weapons, with thinking not unlike that behind the Eisenhower "massive retaliation" strategy.

After being a strong positive factor in the economy from 1965 through 1968, defense spending will be a strong negative factor for the next two or three years, before the new strategic weapons go into major production.

2. The Administration is making other major changes in national priorities.

The sharing of federal money with state and local governments; crime reduction; water and air pollution; family assistance programs; transportation; and consumer protection all received increased money and emphasis in the fiscal 1971 budget.

As did the space, highway and education programs of the 1960s, many of the new Nixon programs undoubtedly will grow substantially larger until they are multibillion-dollar programs in the mid-1970s.

3. Capital spending for new plants and equipment, like defense spending, also is in a transitional period.

Historically, capital spending tends to bunch up, with several years of very rapid construction followed by slower growth as demand catches up with plant capacity. Since 1965, capital spending has risen nearly 50 per cent—considerably faster than final demand for goods. The next couple of years will see a more modest capital spending increase. The result will be less buoyancy in the economy coming from this source.

4. Inflation and the expectation of inflation will remain a major problem for some time. Our post-Korean War experience suggests it may take several years to really control inflation. To restrain it in the mid-1950s, government expenditures were held back, the total money supply was held flat for three years, and the Federal Reserve Bank discount rate was increased several times. The result was a sluggish, little-growth economy from 1955 to 1958.

5. Interest rates will tend to remain high for several years, although lower than their present level. Continued inflation and high demand for money on a world-wide basis should keep them from declining too far. Historically, interest rates tend to increase during periods of inflation but seldom decline to their previous lows after inflationary pressures have subsided.

6. A potentially strong positive force is residential construction. Twice in the past four years it has been badly curtailed due to high mortgage rates, lack of money and soaring costs. Government reports indicate current housing requirements considerably in excess of construction levels, and the national goal is to increase new housing units greatly throughout the next five years. Higher demand for construction workers, materials and

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GUEST ECONOMIST *continued*

appliances, should provide considerable strength to the economy over the next several years.

7. The consumer is becoming a more powerful force in the American economy with the full fruits of the 1969 tax reform bill coming due in a couple of years. In addition, a shift in population is taking place, with more people in the younger, marriageable age group which tends to save less and borrow more to buy goods of all kinds. Increased household formations and births will tend to provide a strong underpinning to the economy.

The Economic Report of the President, issued last February, indicated that the current slowdown will be short-lived and will be followed by good economic growth in 1971 and 1972. Although it is sincerely hoped this will happen, a hard appraisal of current economic forces indicates this may be difficult to achieve.

With declining defense spending, a slower expected increase in capital spending, relatively high world-wide interest rates and persistent inflation, the probable pattern shaping up for the first part of the 1970s is for a period of below-normal real growth.

There will be increasing conflict, however, between the Administration's efforts to restrain inflation and to maintain full employment and sustain an acceptable rate of real growth. The probable result could well be a "stop-and-go" economy similar to that of the 1955-58 period, with neither a prolonged recession nor sustained great growth.

Analysis indicates that the next five years may well be divided into two rather distinct parts: a 1970-72 period of slower real growth, and a period—beginning roughly in 1973—of substantially faster growth.

Increased commitment to the changing national goals, another upturn in capital spending, and changing population patterns suggest that after the present lackluster period, America will move into an era of potentially great economic advancement.

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Jim Walter Corp. Making it big with "little unfinished houses"

It was just a 60-cent want ad—for an inexpensive "shell" home. But when Jim Walter answered it, he began a soaring success story in the best tradition of American business.

Today, the Jim Walter Corp. of Tampa, Fla., is one of the country's largest builders of homes and suppliers of home-building products. Its sales last year reached $604,228,350 and are still climbing.

Jim Walter was 23, fresh out of the Navy and newly married when he spotted this ad in *The Tampa Tribune*:

"NICE little unfinished houses to be moved, $895. 9410 11th St., SS."

He was driving a truck for $50 a week, living in a $50-a-month apartment and looking for a house of his own. He went out to inspect the houses, more out of curiosity than anything, and wound up borrowing some money and buying one.

Instead of moving in, Jim Walter turned around and sold the home for $400 profit. That suggested a future more rewarding than driving a truck. So he sought out the builder, O. L. Davenport, who also was in his 20's, and talked his way into a partnership.

"We made out all right, but I thought we could move faster," Mr. Walter remembers. "One day I suggested that instead of running two-line ads to sell our shell houses we take out a bigger ad with a picture of the house."

Mr. Davenport was reluctant, but his partner convinced him. The day the new ad appeared, the two young businessmen sold 27 houses. Business continued to improve, but Jim Walter was impatient to move faster. Less than two years after the partnership was formed, it was dissolved.

"It was very friendly," says Mr. Walter. "Since it was his business I

An American success story began with this little "shell" home which Jim Walter (center) bought for $895 in 1946 and parlayed into a multimillion-dollar enterprise. With Mr. Walter are two of the men who joined him early and helped make the "Jim Walter Home" a household word in America. James O. Alston (left) is now president of the Jim Walter Corp., and Arnold F. Saraw (right) is secretary and treasurer. More than 200,000 shell homes have been built and sold.

As the name implies, a shell home, shown here with Mr. Walter, comes without plumbing, wiring and interior walls. It appealed to thousands of ex-servicemen who, with the help of friends and relatives, could complete construction in their spare time, giving the owner attractive, low-cost housing.

PHOTOS: FRED WARD—BLACK STAR

Relaxation to Jim Walter means hunting, boating and tooling around Florida in his Aston-Martin Superleggera. In the background is the gleaming headquarters building of the Jim Walter Corp. in Tampa, where he directs the operations of a company that achieved over $600 million in sales last year. Home building is only a part of the business. It now includes oil operations, sugar property, paper distribution, stone and concrete products, a carpeting plant and a big savings and loan association.

continued on next page

Whenever time permits, Jim Walter heads for his 1,700-acre Thundercloud Ranch (above) an hour's drive from Tampa. Here, amid the palmetto and scrub pine, he watches as his English pointer "Jake" flushes a covey of quail. Mr. Walter has been hunting in the Florida brush since he was a boy, a sport which his two sons have embraced with the same enthusiasm. Another of the builder's pastimes is boating off the Florida coast. Here, he heads his 41-foot Really TICA *toward the Gulf of Mexico. The craft gets its name from an earlier, smaller vessel he once owned— the* TICA, *which stands for, "This I Can't Afford."*

suggested that one of us take the business and the other the liquid assets, which then amounted to about $49,000. He decided to take the business and I settled for the assets."

The next day, Mr. Davenport told his erstwhile partner he had changed his mind and would like to assume the assets instead of the company. Mr. Walter agreed.

"I have always wondered what would have happened if we had stuck to the original arrangement," he relates.

Mr. Walter, now 47, became a millionaire in his early 30s. Scores of builders sought to imitate his shell home, with its basic appeal to the young World War II veteran who, with family and friends, could put in the plumbing, wiring and interior after a modest down payment. But imitators failed while the Walter house steadily set new sales records.

"We always gave the customer a good product and stood behind it," Mr. Walter says. "More than 200,000 have now been sold."

Financing was not easy in the early years, he remembers, and the big breakthrough came when Walter E. Heller & Co., a Chicago credit firm with a reputation for risk-taking, approved a million-dollar line of credit. Just the year before, in 1955, the Jim Walter Corp. went public. Shares which were initially sold at 50 cents, and have since twice been split three ways, were recently selling for about $30.

In 1959, the company acquired the First National Bank in St. Petersburg (it has since been sold) and three years later took a bigger plunge into diversification. It bought 34 per cent of the outstanding stock of the Celotex Corp., a pioneer in sound insulation and a leading manufacturer of numerous building products. In 1963, those holdings were increased to 62 per cent and in 1964 Celotex was merged into the Jim Walter Corp. With the acquisition went a sugar firm in Louisiana and an oil exploration company.

Since then the corporation has picked up a Los Angeles savings and loan association, another building materials firm, a paper wholesaler, a marble company, a carpet manufacturer and other construction-related businesses.

Jim Walter is a real tycoon now, but he's still "Jim" to the people around him.

A Tampa cabbie, driving him to his office, didn't recognize him and proceeded to tell him about the Walter rags-to-riches saga. Mr. Walter didn't reveal his identity, and later in his office told an associate, "I didn't know what a helluva guy I was."

When he was asked why he didn't give the man a $10 tip and announce, "I'm Jim Walter," he replied, characteristically, "I never think of things like that."

Some of his early associates who stuck with him through the lean years have been well rewarded. He has made millionaires out of several of them. Turnover is slight and the accent is on youth.

Jim Walter never forgot that "NICE little unfinished house" he bought for $895 and sold for a tidy profit. In 1968, on the twentieth anniversary of the Jim Walter Corp., he bought it back and today it sits on a lot next to the multimillion-dollar Jim Walter Corp. headquarters building. END

At his retreat, Thundercloud Ranch, Mr. Walter has about 200 head of cattle but his principal pleasure from the spread is that it gives him a place to hunt. He has numerous feeders placed strategically around the property to provide food for quail and other wild game during the winter season.

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It's Time to Plan for Those Stretched Weekends

Government agencies and other employers that close in observance of Lincoln's Birthday on Friday, Feb. 12, next year won't be reopening the following Monday.

They'll remain closed in observance of Washington's Birthday—which traditionally has been observed a week later, on Feb. 22.

Sound strange? Then consider this one:

Plants and offices in most of the nation will be closed for a holiday observance Oct. 11 and then will be closed for another in just two weeks, on Oct. 25.

This will come about as the federal government and most states shift over to the Uniform Holiday Act, which takes effect Jan. 1.

Four designated holidays are involved. Washington's Birthday will be observed on the third Monday in February; Memorial Day on the last Monday in May; Columbus Day on the second Monday in October and Veterans Day on the fourth Monday in October.

The observances next year fall, respectively, on Feb. 15, May 31, Oct. 11 and Oct. 25. In 1972, the days will be Feb. 21, May 29, Oct. 9 and Oct. 23.

Added to Labor Day, which has been observed on the first Monday in September since its designation in 1894, the new holiday schedule will guarantee five long weekends every year.

But there'll be eight long weekends in most states next year because July 4, Christmas and New Year's fall on a Saturday or Sunday and in most places, workers will be given an extra day off.

45 states so far

Congress passed the Monday holiday law in 1968, but delayed its going into effect until 1971 so states would have time to pass conforming legislation. The Congressional action applied only to the District of Columbia and federal installations because each state designates the holidays it wishes to observe and when it wishes to observe them.

So far, all the states except Louisiana, Oklahoma, South Dakota, West Virginia and Wisconsin have fallen in line.

In states where the decision's already been made, it's not too early for company officials concerned with scheduling and payrolls to begin thinking about the impact of the changes.

Columbus Day, for example, will be an added holiday in many states where it was not previously observed, meaning employers may face an additional paid day off, or a day for which premium wages must be paid.

Despite the designation of "Uniform Holiday Law," there are variations in 12 states. Thirty-five states have adopted the basic four Monday holidays, while two of that number have added an additional Monday state holiday. Ten states have adopted from one to three of the Monday holidays specified in the federal law and, in most cases, added one or more of their own.

Alabama, Mississippi and Virginia, for example, will observe Confederate Memorial Day on the last Monday in April in lieu of Memorial Day on the last Monday in May.

Other holidays in addition to those mentioned in the law remain the same.

History unhurt?

In a report on its approval of the bill, the Senate Judiciary Committee said it had chosen the days as "holidays that may be observed on a Monday without doing violence to history or tradition." It explained:

- Washington's Birthday—"The exact date is subject to conjecture."
- Memorial Day—It had been variously observed on April 25, April 26 and June 6, as well as May 30, the original date set as "Decoration Day" in memory of Civil War dead.
- Veterans Day—Because it now marks the service of veterans of all wars, "its observance can appropriately take place on a Monday without in any way detracting from the historical significance of the close of World War I."

As for Columbus Day, the Senate Committee said that making it a national holiday—long a goal of Italian-American organizations, among others—would honor "the courage and determination which enabled generation after generation of immigrants from every nation to broaden their horizons in search of new hopes and a renewed affirmation of freedom." END

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ABSENCE MAY MAKE THE HEART GROW FONDER . . .

. . . but it can also mean the *loss* of an election. It has happened before . . . and can again.

Take a look at some recent political history:

- the 1960 Presidential election was won by less than one vote per precinct out of a total of over 69 million votes.
- 91 votes decided the race for Governor in Minnesota in 1962, with over a million cast.
- in Rhode Island in 1967, a Congressman won by 303 votes out of a total exceeding 112,000.
- in 1970, an incumbent New York Congressman lost by 205 votes in the primary.

Political observers predict that a large number of local, state and national election races will be extremely close this November. The business viewpoint is highly vulnerable in these instances because more than 2 million people, mostly from the business and professional community, are generally traveling on any given election day. Most of them are disenfranchised because they failed to arrange for an absentee ballot.

If there is the slightest chance that you'll be away from your registered polling place for any reason on November 3rd, contact your local election officials for an absentee ballot now.

Vote in person for the candidate and party of your choice on November 3rd. If you must be away on election day, leave your vote behind. Vote absentee.

Let our Public Affairs Department know if you need help. We can give you the details and some deeper insights into what's involved in this November's election too.

CHAMBER OF COMMERCE OF THE UNITED STATES
1615 H Street, N.W. / Washington, D.C. 20006

Employees' Extra Benefits Soar

Those costly additions to wages—from paid vacations to pensions—average more than $40 per week per worker, a survey shows

WEEKLY EXTRA BENEFIT COSTS PER EMPLOYEE

	1969	1959	Per cent increase
Old Age, Survivors, Disability and Health Insurance taxes	$6.44	$2.15	200
Paid vacations	6.17	3.83	61
Private Pensions (nongovernment)	5.88	4.12	43
Insurance (life, sickness, accident, hospitalization, etc.)	5.00	2.19	128
Paid rest periods, lunch periods, wash-up time, etc.	4.12	2.29	80
Paid holidays	3.85	2.19	76
Profit-sharing payments	1.63	0.87	87
Workmen's compensation	1.29	0.67	93
Paid sick leave	1.25	0.67	87
Unemployment Compensation taxes	1.10	1.02	8
Employee meals furnished free	0.29	N.A.*	N.A.*
Discounts on goods and services purchased from company by employees	0.17	0.10	70
Other employee benefits	2.27	1.67	36
TOTAL EMPLOYEE BENEFITS	39.46	21.77	81
AVERAGE WEEKLY EARNINGS	141.44	95.48	48
Benefits as per cent of employee earnings	27.9	22.8	

* Data not available

Bill Blunck is an oil field roustabout. He has three kids, a house with a 20-year mortgage, eight months to go before his car's paid for, and a wife who always seems to need money.

His wages are good, but every now and then—particularly when he starts thinking about putting more aside for a rainy day—he grumbles that he ought to be paid more.

Bill *is* paid more. Like many American employees, he doesn't realize how much he really is getting.

For every visible $4 in cash, the employer shells out an average of $1 for a long laundry list of fringe benefits.

This year, those benefits—many of which involve that rainy day Bill thinks about—will cost employers a staggering $125 billion. That averages more than $40 per employee per week.

The amount employers pay for extra benefits is continuing upward almost twice as fast as wages and salaries. Since 1959, weekly extra benefit costs have increased 81 per cent, while wages and salaries have risen 48 per cent.

Employers spent an average of $39.46 per employee per week for fringe benefits last year, compared with $21.77 a decade earlier. In 1949, they spent $9.17.

The size and increase in these benefits is analyzed in a new study of 1,115 manufacturing and non-manufacturing firms conducted by the Chamber of Commerce of the United States. This is the twelfth biennial survey conducted by the Chamber, which has traced the growth of these benefits since 1947.

While fringe benefits averaged $39.46 this time for all companies surveyed, they varied widely among reporting companies and individual industries. Six firms reported benefits averaging less than $10 per employee per week, while 10 firms paid more than $80 per week.

Petroleum industry benefits averaged $56.50 per week; public utilities, $49.06; and the chemical industries, $47. The wholesale and retail trade paid $24.96; textile products and apparel, $23.04, and department stores $21.69.

Principal types of benefits surveyed were:

1. Wage payments for time not

worked, including vacations, holidays, sick leave and rest periods: $15.83 per employee per week.

2. Nonwage payments for pensions, insurance premiums, Social Security taxes, unemployment compensation taxes, workmen's compensation, profit sharing payments and similar benefits: $23.63 per employee per week.

Two years ago, paid vacations and private pensions were the two most expensive fringe benefits.

Now they take a back seat to Washington's costly Social Security programs—financed by employee and employer contributions.

Most expensive fringe payment was employer taxes for old age, survivors, disability and health insurance, averaging $6.44 per employee per week.

This is the fastest growing extra benefit, up 200 per cent in 10 years, and already scheduled to grow much more.

The survey covered 1969 payments, with the maximum tax $374.40 per employee. Present laws schedule the tax to reach a $460 maximum in 1987, but legislation now before Congress proposes a considerably higher maximum.

Paid vacations, the next largest benefit, average $6.17 per employee per week.

While vacations averaged 11 days per year for all industries, they averaged 17 days for the petroleum industry, and only seven days for wholesale and retail trade.

Private pensions averaged $5.88 per week per employee. Public utilities made the largest payments for pensions, averaging $11.04. Next were insurance companies, $8.75 per employee per week; textile and apparel firms, $2.08 per week, and department stores, $1.62.

Employer payments for nongovernment life, accident, hospitalization, sickness and major medical insurance averaged $5.00 per week. These costs have increased 128 per cent in 10 years, compared with the 81 per cent in total fringe benefits. Payments averaged $8.63 per week in the primary metal industries and $6.69 in the petroleum industry.

Paid rest periods, lunch periods, wash-up time, and similar on-the-job time paid for but not worked, averaged $4.12 per week per employee. This amounted to 14 minutes per day, compared to 12 minutes 10 years ago.

Paid holidays averaged seven per year, and cost employers $3.85 per week per employee. The insurance industry averaged 8.5 paid holidays per year; department stores and the textile and apparel industry averaged 4.5.

Other fringe benefits costs were: profit-sharing payments, $1.63 per employee per week; workmen's compensation, $1.29 per week; paid sick leave, $1.25 per week; unemployment compensation taxes, $1.10 per week; employee meals furnished free by employer, 29 cents per week; and discounts on goods and services bought from company by employees, 17 cents per week. Several of these benefits were reported by only a small proportion of employers, so costs were substantially higher for companies having such programs. END

"Employee Benefits (Fringe Benefits) 1969," a 32-page report, can be bought from the Chamber of Commerce of the United States, Washington, D. C. 20006, for $1.50 per copy.

WEEKLY EMPLOYEE BENEFITS COST BY INDUSTRY—1969

	Per employee per week
ALL INDUSTRIES	$39.46
MANUFACTURERS OF:	
Petroleum industry	$56.50
Chemicals and allied products	47.00
Primary metal industries	44.19
Transportation equipment	41.27
Food, beverages and tobacco	41.21
Machinery (excluding electrical)	39.48
Printing and publishing	38.38
Stone, clay and glass products	36.94
Electrical machinery, equipment and supplies	36.13
Instruments and miscellaneous industries	34.84
Rubber, leather and plastic products	34.58
Fabricated metal products (excluding machinery and transportation equipment)	34.31
Pulp, paper, lumber and furniture	31.77
Textile products and apparel	23.04
NON-MANUFACTURING	
Public utilities	$49.06
Miscellaneous, non-manufacturing industries (mining, transportation, research, warehousing, etc.)	42.67
Banks, finance and trust companies	41.75
Insurance companies	39.81
Wholesale and retail trade	24.96
Department stores	21.69

BUSINESS A LOOK AHEAD

AGRICULTURE

Long-term prospects for wheat production trend toward increasingly widespread use of short-straw varieties.

Use of dwarf and semidwarf types with a high ratio of seed to straw is already well established. Some of the most productive varieties today are in this category; they are best suited to extensive use of water and fertilizer.

Agriculture Department experts who monitor developments by state and private researchers report two factors suggesting more widespread short-straw use. One is extensive research aimed at developing short-straw varieties suitable for nonirrigation areas of the Southwest and Midwest, where taller varieties now are grown.

Another is increasing attention being given to wheat as a feed grain, a use in which baking and milling qualities need not be considered. Agriculture observers note that in Arizona and California, semidwarf wheat production for feed has increased by 30 to 35 per cent over the past year.

CONSTRUCTION

Builders see good prospects for maintaining sales in a soft housing market by means of a recent development design.

So says the American Wood Council, whose marketing efforts include promotion of the concept, known as planned unit development.

Where local regulations permit, such development calls for combining different types of housing, using cluster layouts instead of conventional grid patterns, keeping individual lot sizes small (yielding important savings) and providing ample open space for common use.

The Council has reported that a number of builders across the country have one or more planned unit projects in the works. One builder is a Californian who almost went bust when he was unable to move homes he'd built in the traditional way.

At a conference this summer, several builders said demand for planned unit developments was holding up and a continued strong market appeared assured for them.

CREDIT AND FINANCE

Institutional investors will be playing a greater role in mutual fund purchases in the years ahead if current trends continue.

The Investment Company Institute reports that bank trusts, pension funds and other institutions have bought far more mutual fund shares recently than five years ago.

Figures earlier this year showed that purchases of $100,000 or more by individuals or institutions accounted for 21 per cent of total mutual fund sales, compared to 11.5 per cent in early 1965.

By contrast, purchases of $25,000 or less accounted for 58.2 per cent of sales, down from 67.6 per cent five years before.

The Institute sees this as a trend away from bonds and toward more equities in institutional investment practice.

Total mutual fund sales were $6.7 billion in 1969, compared to $4.4 billion in 1965.

TRANSPORTATION

The aviation industry expects some 7,000 to 10,000 planes operated in general (business and private) aviation to be fitted with some sort of defense systems against mid-air collisions in the next three to five years.

The commercial airlines will be equipping their planes, starting as early as late 1971 or early 1972, with sophisticated systems costing $40,000-$50,000. And the Air Transport Association says a number of systems with varying capability are now available for smaller craft operating at lesser speeds and lower altitude.

Scaled-down versions for general aircraft should run under $5,000 once economies of full production are achieved.

FOREIGN TRADE

U. S. business is keeping a wary eye on negotiations by Britain and three other nations to join the European Common Market. There is fear that this country stands to lose a sizable chunk of agricultural exports.

The Common Market pursues a policy of discouraging agricultural imports and providing production incentives to European farmers. Variable levies are imposed on imports, with funds going for export subsidies and to reimburse governments for purchases made to maintain prices.

U. S. exporters point out that American agricultural exports to Common Market nations have declined from a high of $1.6 billion in calendar year 1966 to $1.3 billion in 1969, with heaviest losses occurring in wheat, feed grains and poultry.

Britain, Ireland, Denmark and Norway, which are seeking membership in an enlarged Common Market, are an additional agricultural export outlet for us, in the half-billion-dollar range. Industry has been urging the government to use all the leverage it can to persuade Europe to reduce its price incentives and restrictive policies.

MANUFACTURING

Increased demand for flame-proof material is focusing industry attention on some promising research.

Government experimenters in New Orleans have developed a fabric flame-proofing process which is considered the first practical one for lightweight fabrics, and is suitable for other material. (Earlier treatments required curing that changed the feel of the fabric. The new process does not.)

Similar progress is reported for flame-proofing cotton batting used in some types of low-cost upholstery. Earlier research developed flame-proofing for a higher-grade, resilient batting; now, lower-cost common batting is the target.

Some laboratory work remains to be done to get the wrinkles out of the processes, according to a government spokesman in New Orleans, and industry may have to do additional research to adapt the treatments to its manufacturing. "We're like a diver, just getting ready to leave the board," the spokesman says.

MARKETING

Legislation affecting franchising is likely to get some action in Congress soon, though it won't necessarily be passed this year.

That's the view of business observers following progress of a bill introduced by Democratic Sen. Harrison Williams of New Jersey, a member of the Senate Select Committee on Small Business.

The measure would treat franchise offerings much as stocks and bonds, providing for registration with the Securities and Exchange Commission and extensive disclosure of information to the SEC, the public and prospective franchisees.

The Senator's subcommittee on rural and urban economic development held hearings on the impact of franchising on small business and heard testimony that some operators with little business knowledge have been getting into the field as franchisors.

The Federal Trade Commission has launched a staff-level study of franchising.

NATURAL RESOURCES

Increased industrialization of once-rural areas and more intensive irrigation in farming will be kicking off some lively battles over who gets water in future years.

There won't be any over-all trend in techniques for settling water disputes, experts say, but rather piecemeal, state-by-state developments as competition builds up for the existing supply.

If there is a trend, it will be to define or redefine the system of apportioning water rights. Currently, there are the Western doctrine of giving priority according to first use and the Eastern doctrine of riparian rights.

Legislatures in some states recently have considered new water rights bills and there's pressure elsewhere.

One expert notes that there is no "imminent crisis," but advises water users to take a long look down the road at potential competition for supply and examine the extent to which their rights are built into law.

EDITORIAL | RIGHT AND WRONG

President Nixon is "concerned" about soaring government spending that could give inflation a new head of steam.

"The Congress," he says, "must examine with special care those spending programs which benefit some of the people, but which really raise taxes and prices for all the people."

That's right.

But, at the same time, the Administration proposes a guaranteed annual income for the "working poor" that would cost anywhere from $4 billion to $10 billion.

That's wrong.

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